# Press Release

**Sachin Fine Cot Fiber**

June 15, 2018

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 9.06 Cr. |
| **Long Term Rating** | ACUITE B+ / Outlook: Stable |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** on the Rs. 9.06 crore bank facilities of Sachin Fine Cot Fiber. The outlook is **'Stable'**.

Sachin Finecot Fibres (SFF) is a Aurangabad-based partnership firm was established in 2012. The firm is promoted by the partners, Mr. Navin Tayal and Mr. Hitesh Tayal, among others. Mr. Navin Tayal has an experience of around 3 decades of experience in cotton ginning as he had set up a proprietor firm named as Sachin Agro Industries (SAI) in 1987 for undertaking cotton ginning activity. The firm is engaged in ginning and pressing of cotton. SFF has manufacturing facilities located at Aurangabad (Maharashtra) with installed capacity of 300 bales per day and is utilised at 100%.

## Key Rating Drivers

### Strengths

- **Experienced Partners**
  The Partners, Mr. Navin Tayal have experience of over three decades in the cotton ginning. He had setup a proprietor firm named as Sachin Agro Industries (SAI) in 1987 for undertaking cotton ginning activity. The long experience helped develop a good understanding of local markets and established a healthy relationship with customers and farmers.

- **Moderate financial risk profile**
  The financial risk profile is marked by net worth of Rs.6.53 crore as on 31 March, 2017 as compared to Rs.5.95 crore as on 31 March, 2016. The debt to equity ratio stood moderate at 1.55 times as on 31 March, 2017 and 1.09 times as on 31 March, 2016. Interest Coverage Ratio stood at 1.82 times in FY2017 as compared to 1.73 times in FY2016. The Debt Service Coverage Ratio stood at 1.82 times in FY2017 and 1.73 times in FY2016.

- **Healthy working capital operations**
  The operation of SFF is marked by Gross Current Asset days of 81 in FY2017 as against 122 days in FY2016. This is majorly on account of inventory holding period of 31 days and debtor days of 36 in FY2017. The average bank limit utilisation stood at 90-95 percent for the last six months ended April 2018. Going ahead, the ability of the firm to efficiently manage its working capital requirements will remain key rating sensitivity.

### Weaknesses

- **Uneven operating profit and profitability**
  SFF has business risk profile marked by operating income of Rs.69.26 crore in FY2017 as against Rs.34.57 crore in FY2016. The operating margins stood low at 0.90 percent in FY2017 as against 2.48 percent in FY2016. The reason for operating margin to go down is because of increase in raw material cost and increase in manufacturing cost in FY2017 over FY2016. The net profitability margins decreased at 0.19 percent in FY2017 as against 0.30 percent in FY2016. The reason for decrease in net profitability margin is due to heavy decrease in EBITDA margin.

- **Agro climatic risks**
  Cotton, which is the main raw material required for ginning, is a seasonal crop and production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of raw

cotton in adverse weather conditions.

- **Competitive and fragmented business**

The cotton industry is highly competitive with multiple players coupled with low entry barriers resulting into intense competition from both the organised as well as unorganised players.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the SFF to arrive at this rating.

**Outlook: Stable**

Acuité believes that SFF will maintain a 'Stable' outlook over the medium term owing to its established presence in the ginning industry and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' if SFF profit margins decline in the medium term owing to fluctuations in raw material prices and deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 69.26 | 34.57 | 39.82 |
| EBITDA | Rs. Cr. | 0.62 | 0.86 | 0.74 |
| PAT | Rs. Cr. | 0.13 | 0.10 | 0.10 |
| EBITDA Margin | (%) | 0.90 | 2.48 | 1.87 |
| PAT Margin | (%) | 0.19 | 0.30 | 0.25 |
| ROCE | (%) | 4.30 | 5.78 | 12.63 |
| Total Debt/Tangible Net Worth | Times | 1.55 | 1.09 | 2.07 |
| PBDIT/Interest | Times | 1.82 | 1.73 | 1.56 |
| Total Debt/PBDIT | Times | 11.22 | 6.22 | 7.89 |
| Gross Current Assets (Days) | Days | 81 | 112 | 99 |

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

**Note on complexity levels of the rated instrument**

https://www.acuite.in/criteria-complexity-levels.htm

**Rating History (Upto last three years)**

Not Applicable

## *Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 7.75 | ACUITE B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.81 | ACUITE B+ / Stable |

## Contacts


| Analytical | Rating Desk |
|---|---|
| Suman Chowdhury<br>President - Rating Operations<br>Tel: 022-67141107<br>suman.chowdhury@acuite.in<br><br>Kashish Shah<br>Analyst - Rating Operations<br>Tel: 022-67141152<br>kashish.shah@acuiteratings.in | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br>rating.desk@acuite.in |


**About Acuité Ratings & Research:**
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.