

Press Release

Taj Shailani Cotton Industries (TSCI)

August 30, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B/Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 6.50 crore bank facilities of Taj Shailani Cotton Industries. The outlook is 'Stable'.

Established in 2016, Taj Shailani Cotton Industries is a Jangaon (Andhra Pradesh) based partnership firm engaged in the processing (ginning and pressing) of cotton with a capacity of 1300 quintals per day.

Key Rating Drivers

Strengths

Experienced management:

The entity has an experienced management. Mr. Mohammed Abdul Aziz, the founder of the entity has more than a decade of experience in the same line of business. Prior to this entity he was a director in J.K.S Cotton (AP) Pvt Ltd since 2006. Thus he has established healthy relations with suppliers and customers.

Average financial risk profile:

The average financial risk profile of the company is marked by low Networth, high gearing and healthy debt protection metrics. The net worth of the company stood low at Rs.1.90 crore in FY2018 (Prov.) as compared to Rs.1.66 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood high at 3.20 times in FY2018 (Prov.) as compared to 2.11 times in FY2017. The total debt of Rs.6.08 crore consists of short-term debt of Rs.3.56, long term debt of Rs. 2.01 crore and unsecured loan from partners of Rs.0.50. The interest coverage ratio (ICR) of the company stood comfortable at 2.61 times in FY2018 (Prov.) as compared to 2.85 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.24 times in FY2018 (Prov.) as compared to 2.85 times in FY2017. The net cash accruals against the total debt stand low at 0.13 times in FY2018 (Prov.) compared to 0.15 times in FY2017.

Weaknesses

Limited track record of operation:

The entity has been in operations since April 2016, thus it has only been just more than a year of operations. As a result the entity may not show such levels of growth as an entity/ company with longer track record of operations.

Agro Climatic risk:

Cotton, the main raw material required for cotton bales is a seasonal crop and production of the same is highly dependent on the monsoon. Thus, inadequate rainfall may affect the availability of cotton in adverse weather conditions.

Presence in competitive and fragmented industry:

The company operates in an highly unorganised industry with intense competition from several organised and unorganised players which limits the bargaining power of the company.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

Acuite believes the outlook on TSCI will remain stable over the medium term backed by its experienced management and modest working capital management. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle and improving its financial risk profile. The outlook may be revised to 'Negative' in case of the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)
Operating Income	Rs. Cr.	50.43	33.29
EBITDA	Rs. Cr.	0.76	0.81
PAT	Rs. Cr.	0.28	0.25
EBITDA Margin	(%)	1.50	2.42
PAT Margin	(%)	0.56	0.76
ROCE	(%)	11.94	20.85
Total Debt/Tangible Net Worth	Times	3.20	2.11
PBDIT/Interest	Times	2.61	2.85
Total Debt/PBDIT	Times	4.66	4.32
Gross Current Assets (Days)	Days	64	73

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B/Stable (Assigned)

Contacts

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