



## Press Release

Pooja Sree Traders

May 13, 2022

## Rating Upgraded

| Product                            | Quantum (Rs. Cr) | Long Term Rating              | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings                  | 12.00            | ACUITE B+   Stable   Upgraded | -                 |
| Total Outstanding Quantum (Rs. Cr) | 12.00            | -                             | -                 |
| Total Withdrawn Quantum (Rs. Cr)   | 0.00             | -                             | -                 |

## Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE B+' (read as ACUITE B plus)** from **'ACUITE B' (read as ACUITE B)** on the Rs.12.00 Cr bank facilities of Pooja Sree Traders (PST). The outlook is 'Stable'.

The upgrade reflects better than expected operating performance resulting in revenue growth of around 42% in FY2022 over the previous fiscal 2021. The rating continues to reflect the the proprietor extensive experience of more than 2 decades in cotton ginning industry. These strengths are partially offset by working capital intensive nature of operations, Small scale of operations, susceptibility to volatility in raw material price and intense competition,

## About the Company

Pooja Sree Traders (PST) is a proprietorship concern established in 2010. PST is owned & managed by Mrs. P.Geethanjali. The PST is based at Annur, near Coimbatore, Tamil Nadu. The PST engaged in cotton ginning and pressing and it has an installed capacity of ginning 100 bales per day. The firm processes raw cotton (kappas) into cotton bales and trades into domestic markets.

## Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PST to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Extensive industry experience of the proprietor

The proprietor, Mrs. P.Geethanjali has an extensive experience of more than 2 decades in textile ginning industry. The promoter is involved in the functional areas of the business and the day to day operations are managed by her spouse Mr. A.Padmanaban. This has enabled them to establish relationships with suppliers and customers for repeated business. Acuite

believes that the proprietor's extensive industry experience and established relation with its customers and suppliers will support PST's business risk profile over the medium term.

## Weaknesses

### Below-average financial risk profile

The financial risk profile of the firm is below-average marked by low net worth, leveraged capital structure and moderate debt protection metrics. The net worth of the firm is low at Rs. 2.06 Cr as on March 31, 2022 (Provisional) as against Rs.1.44 Cr as on March 31, 2020. It has highly leveraged capital structure, reflected in high gearing (debt-equity) and high total outside liabilities to tangible net worth (TOL/ TNW) stood at 5.49 times and 5.62 times as on March 31, 2022 (Provisional) vis-à-vis 7.91 times and 8.82 times as on March 31, 2021. The debt protection metrics are moderate with interest coverage ratio and net cash accruals to total debt at 1.77 times and 0.07 times, respectively in FY2022 (Provisional) vis-à-vis 1.24 times and 0.02 times in FY2020. Acuité believes that the financial risk profile of the firm is expected to remain below-average on account high long term borrowings and low profitability.

### Working capital intensive nature of operations

PST's operations are highly working capital intensive in nature as reflected by its Gross Current Asset (GCA) days of around 100-396 days over the past 3 fiscals ended through March 31 2022 (Provisional). The firm had debtor and high inventory holding days are reported at 24 days and 71 days as on March 31, 2022 (Provisional) vis-à-vis 53 days and 109 days as on as on March 31, 2021, respectively. They are expected to be at similar levels due to sessional nature of cotton availability, staggered deliverables to its clientele. On the other hand, the firm gets less credit of around 3 days on March 31, 2022 (Provisional) as against 19 days in as on March 31, 2021. This led to highly utilised working capital limits at 91 percent over the past six months ended March 2022. Acuité believes that going ahead; working capital requirement is expected to remain high over the medium term.

### ESG Factors Relevant for Rating

Not Applicable

### Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Any deterioration of its financial risk profile and liquidity position
- Any elongation of the working capital cycle

### Material covenants

None

### Liquidity Position: Stretched

The PST has stretched liquidity marked by tightly matching net cash accruals to its maturing debt obligations and highly utilized bank lines. PST generated cash accruals of Rs.0.15 to 0.62 Cr during the last 3 years through 2020-22 (Provisional), while its maturing debt obligations were in the range of Rs.0.10-0.50 Cr during the same period. The cash accruals of the firm are estimated to remain around Rs.0.30-0.75 Cr during 2023-25, while their repayment obligations are estimated to be around Rs.0.55 Cr during the same period. The shortfall was expected to meet through Guaranteed Emergency Credit Line (GECL) of Rs.1.80 Cr. PST's operations are highly working capital intensive reflected by its Gross Current Asset (GCA) days of around 100-396 days over the past three fiscals ended through March 31 2022 (Provisional). This led to highly utilised high at 91 percent over six months through March, 2022. The current ratio stands weak at 1.07 times as on 31 March 2022 (Provisional). Acuité believes that the liquidity of PST is likely to remain poor over the medium term on account of very low cash accruals against its repayment obligations.

### Outlook: Stable

Acuité believes that PST will maintain a 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook

may be revised to 'positive' if the firm registers higher-than-expected growth in its revenues while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management or larger-than-expected debt-funded capex or significant withdrawal of capital leading to deterioration of its financial risk profile and liquidity.

**Other Factors affecting Rating**

Not Applicable

## Key Financials

| Particulars                   | Unit    | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 37.59               | 26.35          |
| PAT                           | Rs. Cr. | 0.62                | 0.20           |
| PAT Margin                    | (%)     | 1.64                | 0.77           |
| Total Debt/Tangible Net Worth | Times   | 5.49                | 7.91           |
| PBDIT/Interest                | Times   | 1.77                | 1.24           |

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

| Date        | Name of Instruments/Facilities | Term      | Amount (Rs. Cr) | Rating/Outlook               |
|-------------|--------------------------------|-----------|-----------------|------------------------------|
| 23 Feb 2021 | Term Loan                      | Long Term | 0.72            | ACUITE B   Stable (Assigned) |
|             | Cash Credit                    | Long Term | 9.00            | ACUITE B   Stable (Assigned) |
|             | Working Capital Term Loan      | Long Term | 1.80            | ACUITE B   Stable (Assigned) |
|             | Proposed Bank Facility         | Long Term | 0.48            | ACUITE B   Stable (Assigned) |

## Annexure - Details of instruments rated

| Lender's Name  | ISIN           | Facilities                       | Date Of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                              |
|----------------|----------------|----------------------------------|------------------|----------------|----------------|-------------------|-------------------------------------|
| Canara Bank    | Not Applicable | Cash Credit                      | Not Applicable   | Not Applicable | Not Applicable | 9.00              | ACUITE B+<br>  Stable  <br>Upgraded |
| Canara Bank    | Not Applicable | Covid Emergency Line.            | Not Applicable   | Not Applicable | Not Applicable | 1.80              | ACUITE B+<br>  Stable  <br>Upgraded |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 0.48              | ACUITE B+<br>  Stable  <br>Upgraded |
| Canara Bank    | Not Applicable | Term Loan                        | Not available    | Not available  | Not available  | 0.72              | ACUITE B+<br>  Stable  <br>Upgraded |

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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