

## Rating Rationale

### Brickwork Ratings assigns ‘BWR B+’ for the Bank Loan Facilities amounting to ₹ 9.50 Cr of Kumar Cotton Products

Brickwork Ratings has assigned **Rating<sup>1</sup>** for the bank loan facilities of Rs9.50 Crores (Rupees Nine Crores and Fifty Lakhs Only) of Kumar Cotton Products (“KCM” or the “Firm”) as follows:

Limits	Amount (₹ Cr)	Tenure	Rating
<u>Fund Based :</u>			
<b>Open Cash Credit</b>	<b>3.50</b>	<b>Long Term</b>	<b>BWR B+</b> <b>(Pronounced BWR Single B Plus)</b> <b>(Outlook: Stable)</b>
<b>Open Cash Credit</b>	<b>6.00</b>		
(Proposed Limit)			
<b>Total</b>	<b>9.50</b>	<b>INR Nine Crores and Fifty Lakhs only</b>	

BWR has essentially relied upon the audited financials upto FY15, projected financials upto FY17, publicly available information and information/clarifications provided by the firm’s management.

The rating draws strength from the experienced management and established track record of the firm. However, the rating is constrained by the modest scale of operations, low profitability margins, weak debt servicing metrics, fluctuating sales and inherent risks related to the cotton industry, like volatile cotton prices (Kappas, Yarn and Lint), seasonal nature of the business and exposure to agro climatic risks.

### Background

Established in November 1998 at Guntur, Andhra Pradesh, Kumar Cotton Products is a partnership Firm engaged in the business of processing and trading of cotton lint used by cotton spinning companies / firms for processing cotton yarn. The Firm is promoted by Mr K Sankara Rao. The processing unit located at Guntur, Andhra Pradesh has an installed capacity of 200 bales / hour. The Firm is present in two locations Nadikudi, Andhra Pradesh and Guntur, Andhra Pradesh, for procuring Kappas from the farmers and middlemen and for processing and marketing of processed lint.

### Management Profile

Mr K Sankara Rao is the Managing Partner and Mr G Purna Chandra Rao (nephew of Mr K Sankara Rao) is the other partner. Both the partners have more than 15 yrs of related business experience.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## Financial Performance

Net Sales declined to Rs 30.49 Crs in FY15 compared to Rs 38.17 Crs in FY14. PAT was Rs 0.03 Crs in FY15 compared to Rs 0.16 Crs in FY14. On a provisional basis, for FY16, the firm has reported sales of around Rs. 33.50 Crs. Partner's capital as on 31<sup>st</sup> March 2015 was Rs. 1.88 Crs.

## Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, the ability of the firm to increase its scale of operations profitably, infuse additional capital, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

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