

Rating Rationale

Brickwork Ratings reaffirms BWR B+ (Outlook-Stable) rating for long-term bank loan facilities of Saikrupa Cottons Pvt. Ltd.

Brickwork Ratings reaffirms BWR B+ **Rating**¹ for long-term bank loan facilities of Saikrupa Cottons Pvt. Ltd (SCPL or “the Company”).

Facility	Previous Limits (₹ Cr)	Current Limits (₹ Cr)	Tenure	Previous Rating	Current Rating ²
Fund Based:					
Cash Credit	25.00	14.00	Long Term	BWR B+ (Pronounced BWR Single B Plus) (Outlook – Stable)	BWR B+ (Pronounced BWR Single B Plus) (Outlook – Stable)
Cash Credit (Proposed)		11.00			
Term Loan	6.00	6.00			
Total	31.00	31.00	(INR Thirty One Crore Only)		

BWR has relied upon SCPL’s audited financial results up to FY16, projected financials of up to FY19 and the information/clarifications provided by the Company.

The ratings, inter alia, factor experience of the promoters in the Cotton industry, stabilization of company’s operations, good revenue visibility in near future. The ratings, however, constrained by high working capital intensity of the business, muted domestic demand and concentrated customer portfolio.

Company Background and Operations

Saikrupa Cottons Private Limited, incorporated in 2015, is engaged in ginning and pressing of raw cotton. The company’s newly established ginning and pressing facility is located near Wani, Nagpur. The company has an annual installed production capacity of 4,32,000 QTLS for cotton ginning and pressing unit can produce 500 cotton bales per day.

Management Profile

SCPL is promoted by seasoned professionals having vast experience in the cotton industry. The extensive experience of the promoters has helped the promoters to establish prominent presence in the cotton industry.

SCPL is primarily managed by Mrs. Jyoti Badghare, promoter-director, who will be assisted by her husband Mr. Satish Badghare who has experience running a cotton trading business successfully.

Mrs. Anita Vidhate, promoter-director, who will assisted by her brother Mr. Sunil Katkade who is the promoter of M/s. Saikrupa Cotgin Limited.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance

The company began its commercial production in February 2016. During the FY16, SCPL's revenue stood at ₹ 50.04 Cr with a PAT of ₹0.17 Cr.

The Company's debt equity ratio in FY16 is moderate at 1.76 times. The Company's current ratio stands at 1.53 times, ISCR stands at 1.78 times and DSCR stands at 1.08 times for FY16.

Outlook

The outlook is Stable. The Company's ability to sustain in a very competitive environment, liquidity management, maintaining profitability amidst highly volatility in key raw material prices, optimum utilization of production capacity, coverage ratios and liquidity ratios will be key rating sensitivity factors.

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