Rating Rationale

Satyam Cottex

2May2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.32 Crores of Satyam Cottex.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Limit	5.00	**Long Term**	**BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable**
Term Loan	0.32		
Total	**5.32**	**INR Five Crores & Thirty Two Lakhs Only**	

^ Term Loan outstanding is as on 26 April, 2018.
*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied on Audited Financials from upto FY 17, Provisional Financials for FY18 certified by Management and Projections upto FY 20, publicly available information and information/clarification provided by firm's management

The rating factors promoters experience in cotton ginning business, improved operations with increased revenues and strategic location for raw material procurement. The ratings are constrained by high gearing, weak interest coverage ratio, reduced profit margins, high conversion cycle, cyclical nature of business, vulnerability to fluctuations in raw material prices due to agro-climatic, Stiff competition in the cotton ginning industry and inherent risks

Going forward the ability of the firm to sustain and increase the revenues with better profitability margin , to infuse own funds to increase net worth and prompt servicing of debt obligations would be the rating sensitivities ,

Description of Key Rating Drivers

Credit Strengths:

Promoters have experience of about 7-8 years on an average The location of the firm is Morbi Tankara Dist , Gujarat . Revenue improved from Rs 18.33 Crs in FY17 to Rs 39Crs in FY18 (as reported in provisional data certified by the management)

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Credit Concerns:

Gearing is @1.78x , interest coverage is @1.30 x , Conversion cycle is at 144 days in FY17. net profit margin is reduced from 0.16%in FY16 to 0.12% in FY17 Operating profit margin is reduced from 3.41% in FY16 to 1.63 % in FY17 and Inherent risk of the constitution is being a partnership firm

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Satyam Cottex** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm :

Satyam Cottex is a partnership firm established in April 2013 by Mr. Mehul Sanghani, along with eight other partners. The firm is located at Tankara Village, District : Morbi, Gujarat. The commercial production process started in November-2013 with an installed capacity to produce 5,850 MTPA for cotton bales and 11,925 MTPA for cotton seeds.

Company Financial Performance

The Net Sales for FY16 Audited stood at Rs 18.34 Crores and for FY 17 Audited at Rs. 39.00 Crores. The Profits After Tax remain the same at Rs 0.03 Crores for FY 16 and FY 17 Audited. The Tangible net worth for FY 17 Audited stand at Rs 3.10 Crores.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	**Fund Based** Cash Credit	Long Term	5.00	**BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable**	**Not Rated**	**Not Rated**	**Not Rated**
2	Term Loan		0.32				
	Total		**5.32**	**₹ Five Crores & Thirty Lakhs Only**			

^ Term Loan outstanding is as on 26 April, 2018.

Status of non-cooperation with previous CRA (if applicable)-Not Applicable

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	18.34	31.60
EBITDA	₹ Cr	0.62	0.84
PAT	₹ Cr	0.03	0.03
Tangible Net worth	₹ Cr	3.10	3.01
Total Debt/Tangible Net worth	Times	1.78	2.01
Current Ratio	Times	1.42	1.44

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

- **Infrastructure Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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