Rating Rationale

Brickwork Ratings assigns the Long Term fund based ratings as 'BWR B' for the Bank Loan Facilities amounting to ₹ 5.95 Cr of Shiv Shakti Ginning Factory.

Brickwork Ratings has assigned the Long term fund based **Rating**[1] for the Bank Loan Facilities of Shiv Shakti Ginning Factory (SSGF), amounting to ₹ 5.95 Crores from State Bank of India as follows:

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based			
Term Loan	**0.95**	**Long Term**	**BWR B (Pronounced BWR B) Outlook:Stable**
Cash Credit(Hyp)	**5.00**		
Total	**5.95**	**INR Five Crores and Ninety Five Lakhs**	

***Rating mandate is for ₹ 6.40 crores. However the rating was carried out for the amount of ₹5.95crs, as the outstanding portion of term loan was considered for this purpose.**

BWR has essentially relied upon the audited financial results up to FY15, provisional of FY16 and projected financial of FY17 publicly available information and information/ clarifications provided by the firm's management.

The rating factors the locational advantage for the ginning unit and partner's experience of more than two decades in the cotton industry. However, the rating is constrained by declining sales turnover, low gearing and increase in conversion cycle indicating inefficient working capital management.

Background:

Shiv Shakti Ginning Factory (SSGF) was established in 1991 as a partnership concern in Jasdan. The firm is engaged in cotton ginning, pressing and crushing of cottonseeds to produce cotton bales, cottonsees oil and cottonseed oil cake. The manufacturing unit of the firm has the installed capacity of crushing 3600 MTPA of cottonseeds. The firm is managed by Shri Pratapgiri Otamgiri Gosai.

Financial Performance:

During FY15, company's net revenue was ₹ 25.58Crores and PAT was ₹ 0.06 Crores against net revenue of ₹ 29.04 Crores and PAT of ₹ 0.05Crores in FY14. The Operating profit margins and Net profit margins were 4.28% and 0.22% respectively. Tangible Networth was ₹ 2.61 Crores.

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

Rating Outlook:

The company's performance over the next year is expected to be stable. Going forward, the company's ability to increase its revenue with subsequent increase in scale of operations, maintain and increase its profitability, improve margins and the leverage will be the key rating sensitivities.

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