

Rating Rationale

Brickwork Ratings assigns ‘BWR B-’ ratings for the Bank Loan facilities amounting to ₹ 5.85 Crores of Shreeji Fibre Private Limited.

Brickwork Ratings has assigned the following **Ratings¹** for Bank Loan facilities of Shreeji Fibre Private Limited (“Shreeji Fibre Private Limited” or “the Company”).

Facility (availed from Central Bank of India)	Limits (₹ Cr)	Tenure	Rating
Fund Based:		Long Term	BWR B- <i>(Pronounced BWR B Minus)</i> (Outlook: Stable)
Cash credit	5.00		
Term Loan	0.85		
Total	5.85	Rupees Five Crores and Eighty Five Lakhs Only	

BWR has principally relied upon the audited financial statements upto FY14, projected financials for FY15 and FY16 , publicly available information, and information/clarification provided by the Company’s management.

The rating factors in the promoter’s experience in the Industry, and significant revenue growth attained in FY 14. However, the rating is constrained by competition from established players, modest scale of operations, thin profit margins, and high inventory levels.

Business Overview:

Shreeji Fibre Private Ltd, Dabhoi is- promoted by Mr. Balkrishna Patel in 2005 and is engaged in the business of cotton ginning. The Company procures raw cotton from various traders in Dabhoi Region which is put through the process of ginning where cotton seeds are separated from cotton lint. Cotton lint is packed into bales and sold to spinning mills and traders located in Gujarat. The Company has an installed capacity of manufacturing 150 bales per shift per day. In the peak season (October-May) about 70% capacity is utilised in 3 shifts. In the non – peak season the utilisation varies between 50-60% depending on raw material availability and demand.

Ownership and Management:

Mr. Balkrishna Patel, the promoter along with his family members, holds 100% of the share

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

capital. Mr. Balkrishna Patel is the Managing Director of the company and has three decades of experience in the cotton industry. There are four other Directors, including Independent Directors.

Financial Performance:

In FY 14, the Company has reported net profit of ₹ 0.40 Crores on net sales of 20.12 Crores, as against net loss of 0.56 Crores on sales of ₹ 9.01 Crores. In FY 14, the operating and net profit margin were 5.93% and 1.98 % respectively. As of 31st March 2014, the tangible net-worth is ₹ 2.40 Crores. Their borrowings are from Central Bank of India, with a small Term Loan of ₹ 0.85 Crores, and working Capital limit is ₹ 5 Crores. The inventory holding period has reduced from 120 days in 2013 to 44 days in 2014.

The Company has informed that for the 9 month period ended December 2015, they have achieved sales of ₹ 2.02 Crores.

Rating Outlook:

The outlook is expected to remain stable over the current year. Going forward, the Company's ability to scale up its operations by higher capacity utilization, improved profit margins and efficiently manage working capital - especially inventory levels, will remain the key rating sensitivities.

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