

Rating Rationale

Brickwork Ratings on a review upgrades to “BWR BB-” from BWR B for Bank Loan facilities aggregating ₹ 9.13 Cr of Sri Mahadev Cotton Ginning Industries

Brickwork Ratings has upgraded the following **Rating¹** for Bank Loan facilities of Sri Mahadev Cotton Ginning Industries ('SMCGI' or 'the firm').

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating (Mar 2015)	Present Rating
Fund Based Limits			Long Term	BWR B (BWR Single B) (Outlook: Stable)	BWR BB- (BWR Double B Minus) Upgradation (Outlook: Stable)
Cash Credit	2.20	4.00			
Proposed Cash Credit	0.00	3.00			
Term Loan	2.73	2.13*			
Total	4.93	9.13	INR Nine Crores and Thirteen Lakhs Only		

* Term Loan O/s as on 9 Nov, 2016

BWR has primarily relied upon the audited financials up-to FY16, projected financials up to FY18, publicly available information and the information/clarifications provided by the firm.

The rating draws strength from visible growth in revenue, locational advantage of manufacturing unit, satisfactory operating cycle and improved profit margins. However, the ratings are constrained by low tangible network, high gearing level, negative coverage ratio, working capital intensive nature of operations, seasonality involved in the supply of raw materials, inherent risk of the constitution of the firm being partnership, highly fragmented and competitive industry.

Background:

Sri Mahadev Cotton Ginning Industries(SMCGI) a partnership concern was established on 27th May 2013. Mr.K Durga Prasad is the managing partner. The firm's registered office is located at Sangareddy, Medak District, Andhra Pradesh. The firm is engaged in cotton ginning and bale pressing unit comprises of 24 units of jadho deluxe D.R gins with ginning & bale pressing capacity of 340 quintals per day.

Financial Performance:

As per audited FY16 financials, operating income from operations improved from Rs. 10.66 Crores in FY15 to Rs. 33.38 Crores in FY16. Operating profit margins reported at 3.59% and net profit margin of 0.15% in FY16. Tangible network of the firm reported at ₹ 3.47 Crores in FY16.

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

The firm reported high gearing level reflected from debt equity of 1.83X in FY16 and cash conversion cycle is at 48 days.

Rating Outlook:

The outlook of the firm is expected to be stable for the next one year. Going forward, the ability of the firm to register consistent growth in turnover with an increase in profitability margins, efficient management of its working capital requirement and servicing debt in timely manner would be the key rating sensitivities.

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