

Sadaram Jining and Pressing Industries

May 18, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	8.19	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total	8.19 (Rupees Eight crore and Nineteen lakh only)		

Details of instruments/facilities in Annexure -1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Sadaram Jining and Pressing Industries (SJPI), is constrained on account of its small scale of operations coupled with moderate profit margins, leveraged capital structure, weak debt coverage indicators and weak liquidity position. Furthermore, the rating also remained constrained on account of seasonality associated with cotton availability and susceptibility of margins to cotton price fluctuations and prices and supply for cotton are highly regulated by the government.

The rating, however, derives benefits from experienced promoter and proximity to the cotton growing area of Gujarat. The ability of SJPI to increase its scale of operations with improvement in profitability, capital structure and debt coverage indicators along with better working capital management will be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations coupled with moderate profit margins

During FY16, scale of operations stood very small at Rs.9.57 crore which has grown by 154.52% on an annualized basis over previous year on the back of increase in customer base. Profit margins stood moderate while cash accruals stood low during FY16.

Leveraged capital structure and weak debt coverage indicators

The capital structure of SJPI stood leveraged on the back of low net worth base and high debt level as on March 31, 2016. Further, with low cash accruals and high debt level, total debt to GCA also stood weak while interest coverage ratio stood moderate during FY16.

Seasonality associated with cotton availability and susceptibility of margins to cotton price fluctuations and prices and supply for cotton are highly regulated by the government

Cotton is a seasonal crop as it is available mainly from November to February thereby resulting into higher inventory holding period for the firm. Thus effect of the above factor, results in exposure of ginners to price volatility risk. Moreover, exports of cotton are also regulated by the government to suffice domestic demand for cotton. Hence, any adverse change in government policy may negatively impact the prices of raw cotton in the domestic market and could result in lower realizations and profit for SJPI.

Key rating strengths

Experienced promoters

Although the firm has short track record of operations, partners have decade long experience into same line of operations.

Proximity to cotton growing area of Gujarat

The manufacturing facility of SJPI is located at Patan in Gujarat. Gujarat produces around 30% of total national production of cotton; hence, SJPI's presence in the cotton producing region results in benefit derived from a lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective prices and consistent demand for finished goods resulting in a sustainable and clear revenue visibility.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

About the Firm

Patan-based (Gujarat) SJPI, a partnership firm, was established in 2014 by Mr Bharat Bhatiya, Mr Bhavesh Patel, Mr Chandanji Thakor, Mr Dashrat Bhatiya and Mr Mafa Modi. The firm is engaged into cotton ginning, pressing and crushing. SJPI commenced operations from August 2014. The manufacturing unit of the firm is located in Patan, Gujarat and operates with an installed capacity of 14,400 Metric tonnes per annum (MTPA) as on March 31, 2016 for raw cotton processing.

During FY16 (A), SJPI reported a total operating income (TOI) of Rs.9.57 crore with a PAT of Rs.0.22 crore as against TOI of Rs.3.76 crore and PAT of Rs.0.04 crore in FY15 (A). During 9MFY17 (Provisional), SJPI has achieved a turnover of Rs.9.92 crore.

Status of non-cooperation with previous CRA: CRISIL has placed its rating under Non Co-operation vide press release dated April 21, 2017 on account of non-cooperation by SJPI with CRISIL's efforts to undertake a review of the ratings outstanding.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	October, 2021	2.19	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B+; Stable

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	2.19	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	6.00	CARE B+; Stable	-	-	-	-

**Issuer did not cooperate; Based on best available information*

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