



Press Release

Nandi Cotton Ginning Mill Pvt. Ltd.

November 03, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Bank Facility – Term Loans	0.54	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)
2	Fund Based Bank Facility – Cash Credit	20.00	
3	Non Fund Based Bank Facility – LC	4.00	IVR A4 (IVR A Four)
4	Non Fund Based Bank Facility – Proposed LC	0.46	
	Total	25.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned Rating derives strength from the experience of the promoter and management in the textile industry and proximity of the company to cotton growing areas. However, these strengths are partially offset by a weak financial profile of the company, risk associated with the cotton price volatility, competitive nature of the cotton industry and working capital intensive nature of the operations.

Key Rating Sensitivities

Upward Factor

- Substantial and sustained increase in scale of operations with improvement in profitability and debt protection metrics.

Downward Factor

- Any decline profitability
- Any further deterioration in debt protection metrics and/or liquidity profile



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List of key rating drivers with detailed description

Key Rating Strengths

Experience of Promoters in Cotton and textile industry:

The promoter Mr. P. Nallathambi has an experience of over 30 years in the cotton & textile industry. He is the managing director of Nandi Cotton Ginning Mill Pvt Ltd and Chairman of KKP group of companies. KKP group has several companies which are all into cotton and textile industry.

Proximity to Raw Material Growing Area:

The manufacturing facility is located in Andhra Pradesh, which is one of the major cotton producing state in the country. Major raw material being cotton, this provides easy access and logistical efficiency.

Key Rating Weaknesses

Raw material price volatility:

The cotton processing industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The cotton processing industry is fragmented and there is significant competition among the players in the industry, as a result their bargaining power is moderate. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the company are vulnerable to the volatility in raw cotton prices.

Competitive Risk:

The cotton industry has large number of organized and unorganized players leading to high competition in the industry. The company faces stiff competition from reputed players in the industry. Also the nature of business being seasonal in nature, the main source of raw material production varies depending upon the favourable and unfavourable climatic conditions prevailing during the cotton manufacturing process.

Working Capital intensive nature of business:

The operations of cotton industry are working capital intensive because of high inventory level needed due to seasonal availability of raw cotton. The operating cycle of the company has



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decreased to 160 days in FY20 from 180 days in FY19. And company expects it to remain stable around 160 days in coming years.

Weak Financial Profile:

There is a declining trend in Profitability Ratios. Though the EBITDA margin is increasing marginally in FY19, the same has declined in FY20 (Prov.). The Debt protection indicators remained weak.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The liquidity position is stretched marked with tightly matched cash accruals generated by the company against its debt repayment obligations. The Company has Cash & Bank Balances to the tune of Rs. 0.60 Crs as on FY20 (Provisional). The fund based working capital utilisation of the company remained high at 99.47% during the past 9 months ended August 2020.

About the Company

Nandi Cotton Ginning Mill Pvt. Ltd. was incorporated in the year 2014, in Vizianagaram (Dist), Andhra Pradesh. The company is promoted by Mr. P. Nallathambi. It is a private limited company, which is in the activity of cotton ginning, pressing & crushing of cotton seed for oil production. The company is a part of KKP Group of companies based in Namakkal, Tamil Nadu. The group consists of several companies, all engaged in textiles.

Financials (Standalone)

(Rs. crore)

	31-03-2018	31-03-2019	31-03-2020
For the year ended* / As On	(Audited)	(Audited)	(Provisional)
Total Operating Income	49.34	50.12	67.12



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EBITDA	2.66	3.59	4.36
PAT	0.15	0.21	0.22
Total Debt	17.27	25.86	25.52
Tangible Net Worth	3.47	3.67	3.89
Ratios			
EBITDA Margin (%)	5.40	7.16	6.50
PAT Margin (%)	0.29	0.41	0.32
Overall Gearing Ratio (x)	6.63	8.61	8.04

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Fund Based Bank Facility – Term Loans	Long Term	0.54	IVR BB/ Stable Outlook	--	--	--
2	Fund Based Bank Facility – Cash Credit	Long Term	20.00	IVR BB/ Stable Outlook	--	--	--
3	Non Fund Based Bank Facility – LC	Short Term	4.00	IVR A4	--	--	--
4	Non Fund Based Bank Facility – Proposed LC	Short Term	0.46	IVR A4	--	--	--



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Fremi Shah

Tel: (022) 62396023

Email: fremi.shah@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuaniania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facility – Term Loans	--	--	Up to March 2021	0.54	IVR BB/ Stable Outlook
Fund Based Bank Facility – Cash Credit	--	--	--	20.00	IVR BB/ Stable Outlook
Non Fund Based Bank Facility – LC	--	--	--	4.00	IVR A4
Non Fund Based Bank Facility – Proposed LC	--	--	--	0.46	IVR A4