



Press Release

Shri Ram Ginning, Pressing and Oil Mill (SGPM)

December 28, 2020

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	10.25	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Assigned
2.	Long Term Fund Based Facility – Term Loan	2.45	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Assigned
	Total	12.70		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Shri Ram Ginning, Pressing and Oil Mill (SGPM) derives strength from its experienced promoter, advantage of subsidy received from State Government and the strategic location of the plant. However, fluctuation in the prices of raw materials along with competition and cyclicity in the cotton ginning and pressing industry, moderate financial risk profile and working capital intensive nature of operation are the rating constraints.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial & sustained improvement in revenue & profitability leading to improvement in overall debt protection metrics.

Downward rating factor(s)

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoter:

Mr Mahipal Chouksey along with his son possesses experience of more than four decades in various business activities, the promoter being native of the Mansar, Nagpur area are therefore familiar with cotton ginning process as cotton being one of the main agricultural produce of that area. The promoter are supported by the team of technical and qualified professionals.

Advantage in terms of subsidy incentive offered by government:

The firm's business is eligible for receiving revenue as well as capital subsidy from the State government (Maharashtra). As on March 31, 2020 the firm received sanction of the subsidy amounting to INR2.25 Crore from the State government.

Strategically located plant:

Gujarat, Maharashtra, Madhya Pradesh and Tamil Nadu are the major cotton producing states. As the plant of SGPM is located in the Vidarbha region of Maharashtra, resulting in better logistics and supply chain management where majority of the suppliers and customers are in proximity.

Key Rating Weaknesses

Fluctuation in raw material prices:

The profitability of SGPM is impacted with the fluctuation in prices of raw cotton which depends on various cyclical and climatic changes along with global demand, export policy, and restrictions imposed by the regulatory body.

High competition and cyclicity in cotton ginning and pressing industry:

The firm faces stiff competition from established cotton industry players, which limits its bargaining power. The cotton industry is also cyclical in nature depending upon the favourable



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and unfavourable climatic conditions, and witnessed prolonged periods when it faces downturn leading to adverse movement in the prices of raw cotton.

Moderate financial risk profile:

The scale of operation of the firm are at small scale albeit improving y-o-y basis. The firm recorded a sustained growth in the total operating income at a CAGR of ~21% during FY17-FY20. The growth is mainly driven by increase in execution of orders and increasing cliental base. The total operating income for FY20 (P) was INR41.76 Crore (FY19:INR48.70), decline was due to pending execution of orders impacted by nation-wide lockdown imposed in the month of March, 2020. The gearing ratio of the firm has improved from 3.26x as on March 31, 2019 to 2.34x as on March 31, 2020 (P). Total indebtedness of the firm as reflected by TOL/TNW also remained high at 3.03x as on March 31, 2020 (P). With improvement in EBITDA is backed by reduction in total expenditure of FY20 (P) and therefore EBITDA margin for FY20 (P) stands at 5.27% (FY19:4.23%), Interest coverage ratio remains moderate in FY20 (P) and FY19 at 1.52x and 1.54x respectively backed by increase in finance expense.

Working capital intensive nature of operation:

The operations of the firm are working capital intensive, the working capital requirements for the firm remained high in order to support its healthy growth in operations and production schedule. However, the firm carries credit period of about 15-30 days from its suppliers. The operating cycle days has been around 75-95 during the last three fiscal years.

Analytical Approach &Applicable Criteria:

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Stretched

The liquidity position of the firm is expected to remain stretched marked by its expected gross cash accruals matching tightly as compared to debt obligations during FY20-23. The liquidity is constrained due to its working capital intensive nature of its operations. However, the



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average working capital limit utilisation was ~87% during the past twelve months ended November, 2020 indicating moderate liquidity buffer. The current ratio and quick ratio remained comfortable at 1.28x and 1.03x as on March 31, 2020 (P).

About the Firm:

Shri Ram Ginning, Pressing and Oil Mill got incorporated in December 2014 as a partnership firm and started its commercial operation from January, 2016 onwards. The firm currently has 24 ginning machines with an installed capacity of ~ 4000 MT p.a. The firm is promoted by Mr Mahipal Chouksey along with his son Mr Saurabh Chouksey. SGPM plant is located in Nagpur (Mansar, Vidarbha region of Maharashtra).

Financials:

	(INR. Crore)		
For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	32.65	48.70	41.76
EBITDA	2.05	2.06	2.20
PAT	0.17	0.17	0.18
Total Debt	11.86	12.84	11.87
Tangible Net-worth	3.15	3.94	5.08
EBITDA Margin (%)	6.27	4.23	5.27
PAT Margin (%)	0.51	0.35	0.43
Overall Gearing Ratio (x)	3.76	3.26	2.34

* Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

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 outstanding (INR. 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



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			12.70				

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.

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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
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Long Term Fund Based Facility – Cash Credit	NA	NA	NA	10.25	IVR BB-/Stable
Long Term Fund Based Facility – Term Loan	NA	NA	June, 2021	2.45	IVR BB-/Stable