

## Sri Murari Pavan Agrotech

| Instrument  | Amount         | Ratings Action    |
|-------------|----------------|-------------------|
| Cash Credit | Rs. 9.00 Crore | [ICRA]B+ assigned |

ICRA has assigned the long-term rating of [ICRA]B+ (pronounced ICRA B plus) to Rs. 9.00 crore<sup>1</sup> cash credit facility of Sri Murari Pavan Agrotech (SMPA)<sup>†</sup>.

The rating are constrained by the weak financial profile characterized by low profitability on account of limited value additive nature of the business, high gearing levels (5.34 times as on 31<sup>st</sup> March 2015) and low coverage indicators. The ratings are further constrained by highly fragmented nature of the ginning industry resulting in limited pricing power of the firm, vulnerability of profitability to adverse fluctuations in raw material prices which are subject to seasonal availability of raw cotton, crop harvest and government regulations on minimum support price (MSP) and risk arising from partnership nature of the firm.

The rating, however, is supported by the established track record of the promoters with about two decades of experience in cotton ginning industry and proximity of the manufacturing unit to cotton growing areas thereby aiding in easy availability of raw cotton and lower transportation costs.

Going forward, ability of the firm to maintain its scale of operations while improving profitability and effectively manage working capital requirements would remain key rating sensitivities.

### Firm Profile

Sri Murari Pavan Agrotech was incorporated in 2015 as a partnership firm and is based out in Nandyal town of Kurnool district, Andhra Pradesh and is involved in the ginning & pressing of raw cotton to produce cotton lint & seeds. The firm has 24 gins and one pressing unit. The current capacity of the plant is 48000 bales of lint per annum. The operations are currently managed by Mr. B. Srihari and his family members who have more than 20 years of experience in ginning Industry.

### Recent results

SMPA has reported an operating income of Rs. 88.37 crore and net profit of Rs.0.11 crore in FY2016

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<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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