



SMERA RATINGS LIMITED

Kiwi Cottspin Mill Private Limited

(Kiwi)

Rating
Rationale

April 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	18.35	SMERA BB/Stable (Assigned)
Overdraft	16.00	SMERA BB/Stable (Assigned)
Bank Guarantee	0.90	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.35.25 crore bank facilities of Kiwi Cottspin Mill Private Limited (Kiwi). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial risk profile. The ratings also draw comfort from the strategic location of the company's spinning mill in Tamil Nadu. However, the ratings are constrained by susceptibility of the company's profit margins to volatility in cotton prices. The ratings are also constrained by the company's exposure to intense competition in the textile industry.

Kiwi, incorporated in 2004, is a Tirupur-based company engaged in spinning of cotton yarn. Kiwi benefits from its experienced management. Mr. S. Krishnakumar, managing director of Kiwi, has around 10 years of experience in the textile industry. Kiwi's healthy financial risk profile is reflected in strong net cash accruals of Rs.5.77 crore and comfortable interest coverage ratio of 3.16 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's revenues have increased at a healthy compound annual growth rate (CAGR) of ~20 per cent during FY2009-10 to FY2013-14. Kiwi's spinning mill is in proximity to several raw material sourcing units in Tirupur (Tamil Nadu), a major textile hub in India.

Kiwi's profit margins are highly susceptible to volatility in raw material prices as material cost accounts for a significant portion of the total sales (~80 per cent in FY2013-14). The company faces intense competition from several players in the textile industry.

Outlook: Stable

SMERA believes Kiwi will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and profit margins while maintaining healthy debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the company's capital structure and liquidity position, or in case of decline in the company's revenues and profit margins.

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About the company

Kiwi, incorporated in 2004, is a Tirupur-based company promoted by Mr. S. Krishnakumar. Kiwi is engaged in spinning of cotton yarn. The company has installed capacity of 18,000 spindles. Kiwi specializes in production of 100% combed cotton hosiery yarn (count range of 20s to 40s).

For FY2013-14, Kiwi reported profit after tax (PAT) of Rs.1.26 crore on operating income of Rs.89.40 crore, as compared with PAT of Rs.1.23 crore on operating income of Rs.73.63 crore in FY2012-13. The company's net worth stood at Rs.12.46 crore as on March 31, 2014, as compared with Rs.11.21 crore a year earlier.

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