

## Press Release

17 August, 2017

**Suryaamba Spinning Mills Limited (SSML)**

### Rating Assigned and Downgraded



<b>Total Bank Facilities Rated *</b>	Rs. 38.20 Cr
<b>Long Term Rating</b>	SMERA BB+/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

# Refer Annexure for details

### Rating Rationale

SMERA has downgraded the long-term rating from 'SMERA BBB-' (read as SMERA triple B minus) to **'SMERA BB+' (read as SMERA double B plus)** on the Rs. 31.92 crore long term bank facility and assigned long-term rating of **'SMERA BB+' (read as SMERA double B plus)** on the Rs.3.28 crore long term facility. SMERA has withdrawn a long term facility of Rs.3.28 crore, as the company has fully repaid its facility and the same has been certified by the banker. Further, SMERA has downgraded the short term rating from **'SMERA A3' (read as SMERA A three)** to **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 3.00 crore bank facility of Suryaamba Spinning Mills Limited. The outlook is **'Stable'**.

The Hyderabad-based SSML, incorporated in 2007 was promoted by Mr. Virendra Kumar Agarwal and family. The company manufactures polyester and synthetic yarn at Nagpur, Maharashtra and the installed capacity of the unit is 43,632 spindles.

### Key Rating Drivers

#### Strengths

##### • Experienced management

SSML was promoted by Mr. Virendra Agarwal, Mr. Mayank Agarwal and Mr. Amit Goel. The management has more than two decades of experience in the textile industry. The company was formed by demerging one of the manufacturing units of Suryalata Spinning Mills Private Limited. Further, the management is well supported by qualified and experienced second line of management.

##### • Comfortable liquidity position

SSML's working capital cycle is comfortable marked by low Gross Current Asset days of 74 days for FY2017. This was marked by comfortable debtor days which stood at 27 days in FY2017 as against credit period of 90 days and 30 days in domestic sales. The inventory holding days stood comfortable at 47 days as on 31 March 2017. The working capital limit utilisation has been comfortable at ~80 per cent for three months ended June 2017.

##### • Moderate financial risk profile

SSML's financial risk profile is moderate marked by adjusted gearing of 1.53 times as on 31 March, 2017 compared to 1.31 times as on 31 March, 2016. The tangible networth has been healthy at Rs. 30.58 crore as on 31 March, 2017 as against Rs. 30.08 crore in the previous year. The coverage indicators are

comfortable with Interest coverage ratio of 2.06 times for FY 2017 and 2.31 times in FY2016. The DSCR stood at 1.49 times in FY2017 as against 1.57 times in FY2016.

Further, SSML has healthy net cash accruals of Rs.4.74 crore for FY2017 as against CPLTD of Rs.1.60 as on 31 March, 2016. However, going forward SMERA believes that the financial risk profile will remain moderate on account of additional loans availed in FY2017.

### Weaknesses

#### • Deterioration in revenue

SSML's revenue grew at a compounded annual growth rate (CAGR) of 1.00 per cent for the period FY2013-16. However, the revenue declined to Rs.139.58 crore in FY2017 from Rs.148.20 crore in FY2016 and Rs.144.77 crore in FY2015. The decline is mainly on account of subdued cotton yarn prices in the market. The current installed capacity is 43682 spindles with utilisation of 96 per cent. The company generated 60 per cent revenue from exports and the rest from the domestic market in FY2017. Further, SSML booked revenue of Rs.43.00 crore for April – June 2017 with exports constituting ~17.50 percent.

#### • Uneven profit margins

The operating margin stood at 8.53 percent for FY2017 compared to 8.81 percent in the previous year. This also impacted the net profit margin of 1.29 percent for FY2017 and 2.01 percent in FY2016. The company incurred loss of Rs.0.42 crore in the last quarter of FY2017.

#### • Susceptibility of profitability to volatility in raw material prices

The prices of the main raw material, purified terephthalic acid (PTA) and mono-ethylene glycol (MEG) are fluctuating in nature. Hence, the profit margins are susceptible to volatility in raw material prices.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Suryaamba Spinning Mills Limited to arrive at the rating.

### Outlook: Stable

SMERA believes that SSML will maintain a stable outlook and continue to benefit from the extensive experience of its management. The outlook may be revised to 'Positive' if the company scales up operations and maintains profitability. Conversely, the outlook may be revised to 'Negative' in case of fall in revenues, profitability or if the company undertakes debt funded capex.

### About the Rated Entity - Key Financials

The company reported Profit after Tax (PAT) of Rs. 1.79 crore on operating income of Rs. 139.58 crore in FY2016-17 compared to PAT of Rs. 2.97 crore on operating income of Rs. 148.20 crore in the previous year. The net worth (Quasi included) stood at Rs. 30.58 crore as on 31 March, 2017 as against Rs. 30.08 crore in the previous year.

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

## Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Sept-16	Cash Credit	Long Term	16.00 <sup>^</sup>	SMERA BBB- / Stable (Upgraded)
	Cash Credit	Long Term	3.28	SMERA BBB- / Stable (Upgraded)
	Term Loan	Long Term	10.40	SMERA BBB- / Stable (Upgraded)
	Term Loan	Long Term	5.52 <sup>\$</sup>	SMERA BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	2.00	SMERA A3 (Upgraded)
	Letter of Credit	Short Term	1.00	SMERA A3 (Upgraded)
26-Oct-15	Cash Credit	Long Term	13.00	SMERA BB+ / Stable (Assigned)
	Cash Credit	Long Term	3.00	SMERA BB+ / Stable (Assigned)
	Term Loan	Long Term	12.75	SMERA BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	0.25	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A4+ (Assigned)

<sup>^</sup> includes sublimit of EPC/EBD/PCFC/EBR to extent of Rs.3.00 crore

<sup>\$</sup> includes sublimit of capex Letter of Credit to the extent of Rs.3.50 crore

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00 <sup>^</sup>	SMERA BB+/Stable (Downgraded)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	10.40	SMERA BB+/Stable (Downgraded)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	5.52 <sup>\$</sup>	SMERA BB+/Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+ (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.28	SMERA BB+/Stable (Withdrawn)
Proposed fund based Facility	Not Applicable	Not Applicable	Not Applicable	3.28	SMERA BB+/Stable (Assigned)

<sup>^</sup>Includes sublimit of EPC/EBD/PCFC/EBR to the extent of Rs. 3.00 crore. Further, the facility has enhanced from Rs.16.00 crore to Rs.21.50 crore.

**Contacts:**

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Kashish Shah Rating Analyst Tel: 022-67141152 Email: <a href="mailto:kashish.shah@smera.in">kashish.shah@smera.in</a>	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

## ABOUT SMERA

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