

## Press Release

### SURYAAMBA SPINNING MILLS LIMITED

March 24, 2018



#### Rating Reaffirmed and Assigned

|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs 46.53 Crore<br>(Enhanced from Rs. 38.20 Crore) |
| <b>Long Term Rating</b>             | SMERA BB+/Outlook: Positive                       |
| <b>Short Term Rating</b>            | SMERA A4+   |

\* Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed and assigned long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 46.53 crore bank facilities of SURYAAMBA SPINNING MILLS LIMITED. The outlook is '**Positive**'.

The Nagpur-based Suryaamba Spinning Mills Limited (SSML) is engaged in manufacturing of specialty synthetic spun yarns. The company manufactures 100% polyester, viscose spun yarns and blended synthetic yarns used for weaving fabrics. It caters to both domestic markets and exports to Brazil, Egypt, USA and Bangladesh among others. Incorporated in 2007, SSML is ISO 9001:2008 certified organization, promoted by Mr. Virender Kumar Agarwal and family. The manufacturing unit is located in Nayakund (Nagpur) with an installed capacity of 43,500 spindles.

#### Key rating drivers

##### Strengths

- **Established track record of operation**

SSML was formed by demerging of one manufacturing unit of Suryalata Spinning Mills Private Limited in 2007. The company has an established track record of more than 10 year of operations in textile industries. Its promoters, Mr. Virender Kumar Agarwal and family have been involved in manufacturing of man-made yarns for the past three decades.

- **Healthy financial risk profile**

SSML's healthy financial risk profile is marked by low adjusted gearing of 1.53 times as on 31 March, 2017 as compared to 1.31 times as on 31 March, 2016. The Interest coverage ratio is 2.06 times for FY2017 as against 2.31 times in FY2016 and DSCR stood at 1.49 times for FY2017 as against 1.57 times in FY2016. The tangible net worth is healthy and same stands at Rs. 30.58 crore as on 31 March, 2017 as against Rs. 30.08 crore as on 31 March, 2016. Further, SSML has healthy net cash accruals of Rs.4.74 crore for FY2017 as against Current Portion of Long term debt of Rs.1.60 as on 31 March, 2016.

- **Comfortable liquidity position**

The working capital cycle is comfortable at 54 days in FY2017 as against 42 days in FY2016. Debtor days stood at 27 in FY2017 from 31 in FY 2016, mainly on account of increase in export sales wherein the credit period allowed is 90 days as against 30 days in domestic sales. Further, the working capital

utilization stood at ~99 percent for the month ending December.

The Net Cash Accruals have improved to Rs. 4.74 crore in FY2017 from Rs. 1.60 crore in FY2016.

### Weaknesses

- **Moderate scale of operation**

The company's scale of operation is moderate with operating profit of Rs. 139.58 crore in FY2017 as compared to Rs. 148.20 crore in FY 2016. However, the company has registered sales of Rs. 74.73 crore as on September 2017 and has remained stable as compared to Rs. 74.25 crore as on September 2016. SSML is currently focused on improving its profitability while maintaining its production by customizing its product range. Out of the total production, 60% yarns manufactured by SSML are value added yarns in FY2018 as compared to 40% in FY2017.

- **Susceptibility of profit margins to volatility in raw material prices**

SSML operates in highly competitive industry with several unorganized players which limit the bargaining power of the company. The prices of the main raw material for polyester yarn i.e. purified terephthalic acid (PTA) and mono-ethylene glycol (MEG) are fluctuating in nature. Hence, the profitability is susceptible to volatility in raw material prices.

### Analytical Approach

SMERA has considered standalone business and financial risk profile of SSML for arriving at this rating.

### Outlook- Positive

SMERA believes SSML will maintain a 'Positive' credit profile with the company registering healthy growth in revenues while achieving improvement in profit margins. The outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in financial risk profile.

### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 139.58        | 148.20        | 144.77        |
| EBITDA                        | Rs. Cr. | 11.91         | 13.06         | 10.76         |
| PAT                           | Rs. Cr. | 1.79          | 2.97          | 1.81          |
| EBITDA Margin                 | (%)     | 8.53          | 8.81          | 7.43          |
| PAT Margin                    | (%)     | 1.29          | 2.01          | 1.25          |
| ROCE                          | (%)     | 10.16         | 13.89         | 11.40         |
| Total Debt/Tangible Net Worth | Times   | 2.23          | 1.96          | 1.90          |
| PBDIT/Interest                | Times   | 2.06          | 2.31          | 2.09          |
| Total Debt/PBDIT              | Times   | 3.94          | 3.02          | 3.26          |
| Gross Current Assets (Days)   | Days    | 96            | 86            | 65            |

### Any other information

Not Applicable

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook               |
|-------------|---------------------------------|------------|------------------|-------------------------------|
| 17-Aug-2017 | Cash Credit                     | Long Term  | 16.00            | SMERA BB+/Stable (Downgraded) |
|             | Cash Credit                     | Long Term  | 3.28             | SMERA BB+/Stable (Withdrawn)  |
|             | Term Loan                       | Long Term  | 10.40            | SMERA BB+/Stable (Downgraded) |
|             | Term Loan                       | Long Term  | 5.52             | SMERA BB+/Stable (Downgraded) |
|             | Bank Guarantee                  | Short Term | 2.00             | SMERA A4+ (Downgraded)        |
|             | Letter of Credit                | Short Term | 1.00             | SMERA A4+ (Downgraded)        |
|             | Proposed Long Term Loan         | Long Term  | 3.28             | SMERA BB+/Stable (Assigned)   |
| 10-Sep-2016 | Cash Credit                     | Long Term  | 16.00            | 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             | 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-2015 | 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 | 1.00             | SMERA A4+ (Assigned)          |
|             | Letter of Credit                | Short Term | 0.25             | SMERA A4+ (Assigned)          |

**\*Annexure - Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Crore) | Ratings/Outlook                            |
|------------------------|------------------|----------------|----------------|-------------------------------|--|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 21.50                         | SMERA BB+/ Positive (Reaffirmed &Assigned) |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 7.37                          | SMERA BB+/ Positive (Reaffirmed)           |

|                         |                |                |                |      |   |
|-------------------------|----------------|----------------|----------------|------|---|
| Term Loan               | Not Applicable | Not Applicable | Not Applicable | 4.87 | SMERA BB+/ Positive (Reaffirmed)            |
| Term Loan               | Not Applicable | Not Applicable | Not Applicable | 5.29 | SMERA BB+/ Positive (Assigned)              |
| Bank Guarantee          | Not Applicable | Not Applicable | Not Applicable | 1.00 | SMERA A4+ (Reaffirmed)                      |
| Letter of Credit        | Not Applicable | Not Applicable | Not Applicable | 2.00 | SMERA A4+ (Reaffirmed)                      |
| Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | 4.50 | SMERA BB+/ Positive (Reaffirmed & Assigned) |

### Contacts

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### ABOUT SMERA

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