

Press Release

Sree Anandhakumar Mills Limited

March 31, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 34.21 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 34.21 crore bank facilities of Sree Anandhakumar Mills Limited. The outlook is '**Stable**'.

Sree Anandhakumar Mills Limited (SAML) was incorporated in 1955 by Mr. Rathindran, Mr. Venkataram, Mr. S. Venkataswamy Naidu and others. The Coimbatore-based company is engaged in the manufacturing of cotton yarn and fabric. The day-to-day operations are led by Mr. Rathindran and Mr. Venkataram.

Key Rating Drivers

Strengths

- **Established operational track record and experienced management**

SAML was established in 1955 and hence has long track record of operations in the textile business. Mr. Rathindran and Mr. Venkataram possess extensive experience in the industry.

- **Moderate financial risk profile**

The healthy financial risk profile is marked by interest coverage ratio of 1.77 times in FY2016 and low gearing of 0.93 times as on 31st March 2016. The net worth of the company stood at Rs.31.45 cr as on March 31 2016. The return of capital employed stood at 7.13 per cent as on 31st March, 2016 while DSCR stood at 1.78 times in FY2016. The ROE dropped from 4.31 per cent in FY2015 to 2.97 per cent in FY2016 due to decline in net profit margin.

Weaknesses

- **Uneven revenue**

The company registered revenue of Rs.54.27 cr in FY2014, Rs.48.17 cr in FY2015 and Rs. 58.95 cr in FY2016. The decline in revenue in FY2015 has been due to fluctuations in raw material prices. As informed by the management, the company registered revenue of Rs.61.57 cr in FY2016-17 (Apr-Jan 2017).

- **Exposure to raw material price fluctuation**

The major raw material procured by the company is raw cotton, the prices of which are volatile by nature. Hence, the operating margins are exposed to raw material price fluctuations.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the rated entity.

Outlook: Stable

SMERA believes that SAML will maintain a stable outlook and continue to benefit over the medium

term from the promoters' extensive experience in the textile industry. The outlook may be revised to Positive, if the company achieves increased revenue growth while sustaining improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins. The outlook may also be affected by major deterioration in the capital structure on account of higher-than-expected working capital.

About the Rated Entity - Key Financials

For FY2015-16, SAML registered profit after tax (PAT) of Rs.0.93 cr on operating income of Rs.58.95 cr as against profit after tax of Rs.1.24 cr on operating income of Rs.48.17 cr in FY2014-15. The networth of the firm stood at Rs.31.45 cr as on 31 March 2016 as compared to Rs.28.77 cr as on 31 March 2015.

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
17-Nov-2015	Cash Credit	Long Term	INR 15	SMERA B / Stable
	Term Loans	Long Term	INR 16.52	SMERA B / Stable
	Letter of Credit	Short Term	INR 2	SMERA A4
	Bank guarantee/ Letter of Guarantee	Short Term	INR 0.69	SMERA A4

*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	15.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	16.52	SMERA B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.69	SMERA A4

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ABOUT SMERA

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