

Press Release

Sivaguru Spinning Mills Private Limited

July 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 28.00 crore bank facilities of Sivaguru Spinning Mills Private Limited. The outlook is '**Stable**'.

Sivaguru Spinning Mills Pvt Ltd (SSMPL) was established in the year 2010 based at Coimbatore, Tamil Nadu (India). Mr. SIVAKUMAR is the Promoter of the company, who has around 2 decades of experience in the spinning industry. Company is engaged in manufacturing of recycled yarns.

Key Rating Drivers

Strengths

- Established presence of the promoters and increasing scale of operation:

Mr. Sivakumar, the promoter of the group has over 2 decades of experience in the textile industry. Over a period, the group has increased the scale of operation to around Rs.68.79 crore in FY18 (Provisional) as against Rs.31.95 crore in FY17. The group has grown at accelerating rate of growth in revenue at CAGR of 84 percent in last 3 years. The growth in revenue is driven by increasing demand for recycled yarn because of its environmental benefits due to reduced water usage and pollution control since recycled yarn is made out of waste dyed cotton.

Weaknesses

- Below average financial risk profile:

The group's financial risk profile is below average marked high gearing (debt-to-equity) and total outside liabilities to total net worth (TOL/TNW), though underpinned by moderate debt protection metrics. The gearing is high at 5.94 times (Provisional) as on March 31, 2018 as against 6.57 times as on March 31, 2017. TOL/TNW is high at 9.98 times in FY2018 as against 9.89 times in FY2017. The debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 2.52 times and 0.13 times respectively in FY2018 (Provisional). Acuite believes that the financial risk profile is expected to deteriorate marginally over the medium term owing to management's plan to expand the production capacity with debt-funded capital expenditure program of about Rs.12.00 crore in next 2 years.

- Working capital intensive nature of business:

The business is working capital intensive in nature marked by higher Gross Current Asset (GCA) days and Working capital cycle days. GCA days stood at 192 in FY18 (Provisional) as against 215 days in FY17. Working capital cycle days is moderate at 82 in FY18 (Provisional) as against 85 days in FY17.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Sivaguru Spinning Mills Pvt Ltd and Siva Subramania Traders, hereinafter referred to as 'The group'. The consolidation is mainly on account of similarities in the lines of strong operational, financial synergies and common management.

Outlook: Stable

Acuite believes that the outlook on SSMPL will remain 'Stable' over the medium term on account of its established presence and experienced management. The outlook may be revised to 'Positive' if the

company improves capital structure by equity infusion. Conversely, the outlook may be revised to 'Negative' in case of higher than expected debt-funded capital expenditure or stretched working capital cycle resulting in deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	68.79	31.95	18.76
EBITDA	Rs. Cr.	5.98	3.60	2.30
PAT	Rs. Cr.	1.25	0.34	0.30
EBITDA Margin	(%)	8.69	11.26	12.28
PAT Margin	(%)	1.82	1.05	1.59
ROCE	(%)	16.01	12.42	12.22
Total Debt/Tangible Net Worth	Times	5.94	6.57	4.77
PBDIT/Interest	Times	2.52	2.07	2.45
Total Debt/PBDIT	Times	4.17	5.13	4.98
Gross Current Assets (Days)	Days	192	215	209

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.56	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.01	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.81	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE B+ / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	6.19	ACUITE B+ / Stable

Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.29	ACUITE A4

Contacts

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About Acuité Ratings & Research:

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