

The Palani Andavar Mills Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Term Loan	0.70	SMERA BB/Stable (Assigned)
Bank Guarantee/Letter of Guarantee	0.60	SMERA A4+ (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)

SMERA has assigned long term ratings of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.8.30 crore bank facilities of The Palani Andavar Mills Limited. The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, improving operating income and above average financial risk profile marked by low gearing and high interest coverage ratio. However, the ratings are constrained by the working capital intensive operations, susceptibility of margins to volatility in raw material prices and uneven trends in operating and PAT margins. The ratings are further constrained by competition in the textile industry.

TPAML is headed by Smt. Girija Parthasarthy (Managing Director) who possesses extensive experience in the textiles industry. The company's financial risk profile is marked by net worth of Rs.11.61 crore as on March 31, 2015 together with ICR at 3.63 times and DSCR at 1.43 times as on March 31, 2015. Further, the gearing has been low at 0.31 times as on March 31, 2015.

Besides, the profits of the company are susceptible to raw material price fluctuations. The margins of the company have shown an uneven trend in the past. In FY2013 the EBITDA stood at 13.36 per cent which declined to 13.18 per cent in FY2014 and further fell to 6.59 per cent in FY2015. The PAT margin was 7.90 per cent in FY2014 which declined to 1.30 per cent in FY2015. Further, the ratings also factor in the intense competition in the textile industry.

Rating Sensitivity Factors

- Improving scale of operations
- Maintaining stable margins
- Fluctuations in raw material prices

Outlook-Stable

SMERA believes that TPAML will maintain a stable outlook on account of the company's established market position in the cotton yarn industry and extensive experience of its promoters. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure resulting from considerable equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

Criteria to arrive at the ratings:

- Manufacturing entities

About the Company

TPAML was incorporated in 1933 by Mrs Girija Parthasarathy who possesses extensive experience in the textile industry. The company manufactures cotton yarn at Triupur, Tamil Nadu and has an installed capacity of 29,808 spindles. The company produced 12.66 lakh kg of cotton in FY2016. The company clocked sales of Rs.27.60 crore for FY2014-15. The profit after tax (PAT) for FY15 stood at Rs. 0.36 crore.

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ABOUT SMERA

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