

Meenakshi Textile Mills: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	1.75	SMERA B/Stable (Assigned)
Term Loan	9.00	SMERA B/Stable (Assigned)

SMERA has assigned rating of '**SMERA B**' (read as SMERA B) to the above mentioned bank facilities of Meenakshi Textile Mills (MTM). The outlook is '**Stable**'.

The rating derives comfort from the experienced management. However, the rating is constrained by the below average financial risk profile, project execution risk and intense market competition in the cotton and blended yarn industry. The rating also factors in the susceptibility of profit margins to volatility in raw material prices.

MTM was incorporated in 2014. The firm is setting up a viscose and cotton yarn manufacturing facility with installed capacity of 10,800 spindles (6000 Kgs/day). The total cost of the project is Rs.16.13 crore to be funded by bank debt of Rs.10.75 crore and promoters' contribution of Rs.3.00 crore. The operations are expected to commence from February 2017. The firm benefits from its experienced management. Mrs. S. Saraswati, Mrs. G. Srividhya, Mr. S. Sankar and Mrs. J. Anusuya (Partners) possess over two decades of experience in the textile industry.

However, MTM has below average financial risk profile marked by moderate gearing, expected to be in the range of 1.7-1.8 times. The firm is expected to have moderate debt protection metrics with ICR expected to be in the range of 2.6-3.0 times. Any incremental working capital or debt funded capex is likely to put a downward pressure on debt protection metrics. Besides, MTM operates in a highly fragmented cotton yarn industry. Further, the firms' operating profitability is susceptible to fluctuations in raw material prices of cotton.

Rating Sensitivity Factors

- Timely execution of the project
- Movement of operating margins on the back of fluctuations in raw material prices
- Efficient working capital management
- Improvement in the financial risk profile

Outlook-Stable

SMERA believes that MTM will maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also improving its operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' if the profit margins decline in the medium term owing to fluctuations in raw material prices and deterioration in the financial risk profile.

Criteria to arrive at the ratings:

- Manufacturing Entities

About the Firm

MTM, incorporated in 2014, is a Tamil Nadu-based firm engaged in the manufacture of viscose and cotton yarn. The firm is headed by partners Mrs. S. Saraswati, Mrs. G. Srividhya, Mr. S. Sankar and Mrs. J. Anusuya who possess over two decades of experience in the textile industry. The firm plans to set up a viscose and cotton yarn manufacturing facility with installed capacity of 10,800 spindles at Erode, Tamil Nadu.

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ABOUT SMERA

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