

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.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.