

Press Release

Thenpandian Spinning Mills India Private Limited (Thenpandian)

10 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.23.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.23.00 crore bank facilities of Thenpandian Spinning Mills India Private Limited (Thenpandian). The outlook is '**Stable**'.

Thenpandian (the erstwhile Thirukkumaran Textiles Private Limited) is engaged in the manufacture of combed yarn from raw cotton and outsources manufacturing of grey cloth.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management: Thenpandian, incorporated in 1993 is a Tirupur-based company engaged in the manufacture of combed yarn from cotton and grey cloth (grey cloth manufacturing is outsourced). The promoters, Mr. Kaliappan Nallusmy and Mr. Nallusamy Raveendran have more than a decades experience in the textile industry.

Moderate scale of operations: The scale of operations is moderate with operating income of Rs.41.87 crore in FY2016 as against Rs.38.46 crore in FY2015. Further, the company achieved ~Rs.20.45 crore in HY2016-17.

Weaknesses:

Average financial risk profile: The financial risk profile is average marked by net worth of Rs.16.89 crore and gearing (Debt-Equity ratio) of 1.20 times as on March 31, 2016 compared to net worth of Rs.18.10 crore and gearing of 1.56 times as on March 31, 2015. Further, the TOL/TNW stood at 1.42 times as on March 31, 2016.

Working capital intensive business: The operations of the company are working capital intensive marked by high Gross current assets (GCA) of 227 days as on 31st March, 2016 (PY: 276 days). The working capital cycle stretched to 208 days for FY2016 owing to the high inventory holding of 178 days. The average cash credit utilisation for six months ended November 2016 stands at 85.86 percent.

Susceptibility of profit margins to raw material rate fluctuations: The operating margins declined to 11.96 per cent in FY2016 from 16.56 per cent in FY2015 on account of increase in raw material prices, cost of power and other overheads. The company reported net loss of Rs.1.21 for FY2016 as compared to net profit of Rs.0.18 crore for FY2015, due to loss on sale of the windmill division.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook on Thenpandian will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers significant growth in revenue while improving profit margins and the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in operating profit margins or significant deterioration in the financial risk profile on account of larger than envisaged debt funded capex and working capital borrowings.

About the Company

Thenpandian (the erstwhile Thirukkumaran Textiles Private Limited) was incorporated in 1993 under the directorship of Mr. A. Palanisamy and Ms. P. Pankajam. In August 2013, Mr. K. Nallusamy, Mr. N. Raveendran and families took over the management of the company. The company undertakes manufacturing of combed yarn from raw cotton and outsources manufacturing of grey cloth. The company has 21,000 spindles with production capacity of 16.20 lakh kgs of yarn per year sold in the domestic market.

In FY2015-16, Thenpandian reported net loss of Rs.1.21 crore on operating income of Rs.41.87 crore as against profit after tax (PAT) of Rs.0.18 crore on operating income of Rs.38.46 crore in the previous year. The net worth stood at Rs.16.89 crore as on March 31, 2016 against Rs.18.10 crore a year earlier.

Analytical approach: Standalone business and financial risk profile of the company

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	17.00	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Term Loan I	LT	0.93	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Term Loan II	LT	1.30	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Letter of Credit	ST	2.75*	SMERA A4+ (Assigned)	NA	NA	NA	NA	NA	NA
Bank Guarantee	ST	0.25	SMERA A4+ (Assigned)	NA	NA	NA	NA	NA	NA
Proposed Fund Based Facilities	LT	0.77	SMERA BB-/Stable (Assigned)	NA	NA	NA	NA	NA	NA

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	NA	NA	NA	17.00	SMERA BB-/Stable (Assigned)
Term Loan I	December 2014	NA	March 2019	0.93	SMERA BB-/Stable (Assigned)
Term Loan II	December 2016	NA	September 2019	1.30	SMERA BB-/Stable (Assigned)
Letter of Credit	NA	NA	NA	2.75*	SMERA A4+ (Assigned)
Bank Guarantee	NA	NA	NA	0.25	SMERA A4+ (Assigned)
Proposed Fund Based Facilities	NA	NA	NA	0.77	SMERA BB-/Stable (Assigned)

* 100% one way interchangeability from LC to CC.

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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