

Press Release

Thenpandian Spinning Mills India Private Limited (TSMIPL)



24 January, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 31.70 Cr.
Long Term Rating	SMERA BB- /Stable
Short Term rating	SMERA A4+

*Refer annexure for details

SMERA has reaffirmed the 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. 22.98 crore bank facilities of Thenpandian Spinning Mills India Private Limited (TSMIPL). Further, SMERA has also assigned long term rating of '**SMERA BB-** (read as SMERA double B minus) on the Rs. 8.72 crore bank facilities. The outlook is 'Stable'.

The Tamil Nadu-based TSMIPL (the erstwhile Thirukkumaran Textiles Private Limited) is engaged in the manufacture of combed yarn (from raw cotton) and outsources manufacturing of grey cloth. Currently, with 21000 spindle capacity, the company is capable of producing 6 tons of combed Cotton yarn per day.

Key Rating Drivers

Strengths

Established operational track record and experienced management

The Tirupur-based TSMIPL founded in 1993 manufactures combed yarn from cotton while grey cloth manufacturing is outsourced. The promoters, Mr. Kaliappan Nallusmy and Mr. Nallusamy Raveendran have more than a decades experience in the said line of business.

Moderate revenue growth - Growth in revenue y-o-y

The revenue growth is moderate marked by CAGR of 6.65 percent for the period FY2014 to FY2017. The company registered revenue of Rs.46.66 crore for FY2017 as against Rs.41.87 crore in FY2016 and Rs.38.46 crore in FY2015. For 9MFY2018, the company registered revenue of 39.77 crore.

Moderate financial risk profile

The financial risk profile is moderate marked by net worth of Rs.16.43 crore as on 31 March, 2017 against Rs. 16.14 crore as on 31 March, 2016. The total debt of Rs. 22.88 crore for FY2017 comprises long term loan of Rs.2.52 crore and short term loan of Rs. 20.37 crore for funding working capital requirements. In FY2017-18, the company had taken a term loan of Rs. 2.00 crore for capital expansion. The gearing stood at 1.39 times for FY2017 as against 1.30 times for FY2016. Further, ICR (Interest Coverage Ratio) and DSCR (Debt Service Coverage Ratio) stood at 1.70 times and 1.30 times respectively in FY2017.

SMERA Ratings Limited

Weaknesses

Susceptibility of operating margins, fluctuations in raw material prices

The operating margins declined to 8.06 percent in FY2017 as against 11.96 percent in FY2016 and 16.56 percent in FY2015 on account of increase in raw material prices, power cost and other overheads. The company reported net loss of Rs.1.21 crore for FY2016 due to loss on sale of the windmill division.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of around 221 days as on 31 March, 2017 as compared to 227 days as on 31 March, 2016. This was due to high inventory holding period of 184 days for FY2017 and 178 days for FY2016. The company maintains high inventory due to the seasonal availability of raw material. The average six months utilisation of cash credit ended November 2017 stood at 58 percent.

Highly competitive and fragmented textile industry

TSMIPL operates in a highly competitive and fragmented textile industry with several organised and unorganised players limiting the bargaining power of the company.

Analytical Approach

For analytical purposes, SMERA has considered the standalone business and financial risk profile of TSMIPL.

Outlook-Stable

SMERA believes that TSMIPL will maintain a Stable outlook over the medium term owing to its established operational track record and experienced management. The outlook may be revised to 'Positive' in case the company registers high than expected revenue and better profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of declined revenue and profitability or deterioration in the financial risk profile on account of higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.66	41.87	38.46
EBITDA	Rs. Cr.	3.76	5.01	6.37
PAT	Rs. Cr.	0.29	-1.21	0.18
EBITDA Margin	(%)	8.06	11.96	16.56
PAT Margin	(%)	0.62	-2.88	0.46
ROCE	(%)	8.37	3.25	8.89
Total Debt/Tangible Net Worth	Times	1.39	1.30	1.67
PBDIT/Interest	Times	1.70	0.81	1.70
Total Debt/PBDIT	Times	6.08	4.20	4.55
Gross Current Assets (Days)	Days	221	227	276

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Note on complexity levels of the rated instruments- <https://www.smera.in/criteria-complexity-levels.htm>

Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
10 Jan, 2017	Cash Credit	Long Term	17.00	SMERA BB- / Stable (Assigned)
	Term Loan I	Long Term	0.93	SMERA BB- / Stable (Assigned)
	Term Loan II	Long Term	1.30	SMERA BB- / Stable (Assigned)
	Letter of Credit	Short Term	2.75	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	0.25	SMERA A4+(Assigned)
	Proposed fund based facility	Long Term	0.77	SMERA BB- / Stable (Assigned)

* Annexure - Details of instruments rated

Name of the facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00 (Revised from Rs. 17.00 crore)	SMERA BB-/Stable (Reaffirmed)
Term Loan 1	Not Applicable	Not Applicable	Not Applicable	0.30 (Revised from Rs. 0.93 crore)	SMERA BB-/Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	0.99 (Revised from Rs. 1.30 crore)	SMERA BB-/Stable (Reaffirmed)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	1.72	SMERA BB-/Stable (Assigned)
Revolving Demand Loan against WHR	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB-/Stable (Assigned)
New Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB-/Stable (Assigned)
*Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00 (Revised from Rs. 2.75 crore)	SMERA A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.44 (Revised from Rs. 0.77 crore)	SMERA BB-/ Stable (Reaffirmed)

*100% one way interchangeability from LC(WC) to CC Limit #25% one way interchangeability from CC to RDL (WHR)

Contacts:

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Naveen Papisetty Rating Analyst Tel: +91-22-6714 1148 Email: naveen.papisetty@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.