

Press Release

Thenpandian Spinning Mills India Private Limited

June 17, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.31.70 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE B+** (**read as ACUITE single B plus**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.31.70 crore bank facilities of Thenpandian Spinning Mills India Private Limited (TSMIPL). The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from banker.

About the company

Tirupur based TSMIPL incorporated in the year 1993 by Mr. A. Palanisamy and Ms. P. Pankajam, 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.

Analytical Approach

Acuité has considered standalone business and financial risk profile of TSMIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and increasing scale of operations**

The Tirupur-based TSMIPL founded in 1993 manufactures combed yarn from cotton while grey cloth manufacturing is outsourced. The promoters, Mr. Kaliappan Nallusamy and Mr. Nallusamy Raveendran have more than a decades experience in the said line of business. The revenues of the company have improved from Rs.52.43 Cr in FY2018 to Rs.58.76 Cr in FY2019 and Rs.62.16 Cr in FY2020. The profitability margins of the company remained satisfactory at 10.25 percent in FY2018, 13.07 percent in FY2019 and 11.81 percent in FY2020. Acuité believes that the company will continue to sustain its existing business profile on the back of experienced management.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company remained moderate with moderate capital structure and debt protection metrics. The networth of the company stood at Rs.25.18 Cr and Rs.22.56 Cr as on March 31, 2020 and 2019 respectively. The gearing stood at 1.36 times and 1.47 times as on March 31, 2020 and 2019 respectively. Debt protection metrics interest coverage ratio 2.73 times and 2.18 times as on March 31, 2020 and 2019 respectively. Debt service coverage ratio stood at 1.45 times and 1.25 times as on March 31, 2020 and 2019 respectively. TOL/TNW stood at 1.60 times and 1.81 times as on March 31, 2020 and 2019 respectively.

- **Moderate working capital management**

The working capital management of the company remained moderately intensive with GCA days of 175 days and 183 days as on March 31, 2020 and 2019 respectively. The high GCA days are on account of high inventory days and debtor days. The inventory days stood at 95 days and 98 days as on March 31, 2020 and 2019 respectively. The debtor days stood at 70 days and 68 days as on March 31, 2020 and 2019 respectively. The working capital limits remained utilized at 57 percent for the last six months ended

March 2021.

• Susceptible to changes in raw material prices

Operating margins are susceptible to changes in cotton and yarn prices which are highly volatile and commoditized product. Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall affects the availability of cotton in adverse weather conditions. Furthermore, any abrupt change in cotton prices due to supply-demand scenario and government regulations of changes in Minimum Support Price (MSP) can lead to distortion of prices and affect the profitability of players across the cotton value chain.

Rating Sensitivities

- Any decline in revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Liquidity Position: Adequate

The liquidity position of the company remained adequate with adequate net cash accruals to service debt obligations. The net cash accruals stood at Rs.4.63 Cr for FY2020 as against repayment obligation of Rs.2.30 Cr for the same period. The current ratio of the company stood at 1.34 times as on March 31, 2020. Cash and bank balance stood at Rs.0.09 Cr as on March 31, 2020. Acuité believes that the liquidity profile continues to be adequate, supported by accruals and efficient working capital management.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	62.16	58.76
PAT	Rs. Cr.	2.63	1.61
PAT Margin	(%)	4.22	2.75
Total Debt/Tangible Net Worth	Times	1.36	1.47
PBDIT/Interest	Times	2.73	2.18

Status of non-cooperation with previous CRA (if applicable)

None

Any Material Covenants

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount(Rs. Cr)	Ratings/Outlook
23-Jun-2020	Cash Credit	Long Term	16.00	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
	Term loans I	Long Term	0.30	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
	Term loans II	Long Term	0.99	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
	Term loans III	Long Term	1.72	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
	Revolving Demand Loan against WHR	Long Term	6.00	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
	New Term Loan	Long Term	1.00	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
	Letter of Credit S	Short Term	2.00	ACUITE A4 (Downgraded from ACUITE A4+) Issuer not co-operating*
	Bank Guarantee S	Short Term	0.25	ACUITE A4 (Downgraded from ACUITE A4+) Issuer not co-operating*
	Proposed Bank Facility	Long Term	3.44	ACUITE B+ (Downgraded from ACUITE BB-) Issuer not co-operating*
09 April, 2019	Cash Credit	Long Term	16.00	ACUITE BB- Issuer not co-operating*
	Term loans I	Long Term	0.30	ACUITE BB- Issuer not co-operating*
	Term loans II	Long Term	0.99	ACUITE BB- Issuer not co-operating*
	Term loans III	Long Term	1.72	ACUITE BB- Issuer not co-operating*
	Revolving Demand Loan against WHR	Long Term	6.00	ACUITE BB- Issuer not co-operating*
	New Term Loan	Long Term	1.00	ACUITE BB- Issuer not co-operating*
	Letter of Credit S	Short Term	2.00	ACUITE A4 Issuer not co-operating*
	Bank Guarantee S	Short Term	0.25	ACUITE A4 Issuer not co-operating*
	Proposed Bank Facility	Long Term	3.44	ACUITE BB- Issuer not co-operating*
23 March, 2018	Cash Credit	Long Term	16.00	ACUITE BB-/Stable (reaffirmed)
	Term loans I	Long Term	0.30	ACUITE BB-/Stable (reaffirmed)
	Term loans II	Long Term	0.99	ACUITE BB-/Stable (reaffirmed)
	Term loans III	Long Term	1.72	ACUITE BB-/Stable (Assigned)
	Revolving Demand Loan against WHR	Long Term	6.00	ACUITE BB-/Stable (Assigned)

	New Term Loan	Long Term	1.00	ACUITE BB-/Stable (Assigned)
	Letter of Credit S	Short Term	2.00	ACUITE A4+ (reaffirmed)
	Bank Guarantee S	Short Term	0.25	ACUITE A4+ (reaffirmed)
	Proposed Bank Facility	Long Term	3.44	ACUITE BB-/Stable (reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE B+ (Withdrawn)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE B+ (Withdrawn)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	0.99	ACUITE B+ (Withdrawn)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	1.72	ACUITE B+ (Withdrawn)
Revolving Demand Loan against WHR	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ (Withdrawn)
New Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.44	ACUITE B+ (Withdrawn)

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About Acuité Ratings & Research:

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