

Press Release

09 March, 2017

Ammen Mills

Rating Assigned

Total Bank Facilities Rated *	Rs. 12.00 Cr.
Long Term Rating	SMERA D
Short Term Rating	SMERA D

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D**' (**read as SMERA D**) and short term rating of '**SMERA D**' (**read as SMERA D**) on the Rs. 12.00 crore bank facilities of Ammen Mills.

Established in 1979, Ammen Mills (AM) is a partnership firm engaged in the manufacturing of knitted garments such as T-shirts, Polo shirts, sweat shirts etc. The partners include Mr. K. Mohanageetha, Mr. K.T. Karunamurthy and Mr. K. Rajeswari.

Key Rating Drivers

Strengths

Experienced management

Established in 1979, Ammen Mills is a partnership concern engaged in knitted garments. The management, comprises Mr. K. Mohanageetha, Mr. K.T. Karunamurthy and Mr. K. Rajeswari who possess extensive experience of over three and a half decades in the textile industry.

Weaknesses

• Delays in repayment of term loan

There have been delays in repayment of term loan.

• Working capital intensive operations

The operations are working capital intensive marked by high GCA of 486 days and 397 days in FY2016 and FY2015. This intensifies the need for large working capital requirements as funds get blocked in inventory. This also affects the ability to payback current liabilities. The inventory days are at 288 in FY2016 (as compared to 238 days in FY2015) and debtors days stood at 96 days in FY2016 (as Compared to 26 days in FY2015). The creditors stood at 76 days and 49 days in FY2016 and FY2015 respectively.

• Weak financial risk profile

The financial risk profile is marked by weak debt protection metrics, high gearing and low net worth. The interest coverage and debt service coverage ratio stood at 1.16 times and 0.33 times in FY2016. The gearing is high marked by debt-equity of 2.29 times in FY2016 as compared to 1.97 times in FY2015. The net worth is low at Rs.7.55 cr as on 31st March, 2016. The firm has no expansion plans in the medium term.

- **Modest and declining revenue**

The modest scale of operations is marked by revenue of Rs.17.56 cr in FY2016, Rs.20.38 cr in FY2015 and Rs.19.39 crore in FY2014.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of the firm.

About the Rated Entity - Key Financials

For FY2016, AM reported profit after tax (PAT) of Rs.0.20 cr on total operating income of Rs.17.56 cr, as compared with PAT of Rs.0.21 cr on total operating income of Rs.20.38 cr in FY2015. The tangible net worth stood at Rs.7.55 cr in FY2016 as compared to Rs.7.56 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA D
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA D
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA D
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA D

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Nikhil Tantia Rating Analyst Tel: 033-66201206 nikhil.tantia@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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