

Press Release

Sri Anbu Silks

August 30, 2018



Rating Downgraded

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs.7.50 Cr. |
| Long Term Rating | ACUITE D (Downgraded from Acuite B/ Outlook: Stable) |

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B**' (**read as ACUITE B**) to the Rs.7.50 crore bank facilities of Sri Anbu Silks (SAS).

Downgrade in the rating is attributed to continuous overdrawals in its cash credit limit for over 30 days, delay in servicing of its debt obligations by more than a month and stretch in the liquidity is owing to stagnant revenues over the past two years.

SAS is a partnership firm established in April 2014 located at Pollachi (Tamil Nadu). The firm is engaged in retailing of readymade garments for men, women and kids in the formal and casual space from its 2 storied showroom. The firm is promoted by Mr. N R Thirumurthi and Mrs. S Kalpanadevi as partners with profit sharing of 50 percent each.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Sri Anbu Silks to arrive at this rating.

Key Rating Drivers:

Strengths:

Extensive experience of promoters:

The promoters have more than two decades of experience in retail sales of readymade garments. Its revenues are at modest level of about Rs.8.00 crore over the past two years, and a decline from Rs.12.20 crore in FY2016. Decline and stagnant revenues are attributed to competition from large players, low sales and slow-moving inventory.

Weaknesses:

Delays in debt servicing because of weak liquidity:

The cash credit limits have been continuously overdrawn for over 30 days, and the firm has been delaying in servicing of its debt obligations on its term loans. As a result, the account has been classified as special mention account – 1 (SMA-1) recently. Stretch in liquidity is primarily caused by stagnant revenues for the past two years at about Rs.8.00 crore, a decline from Rs.12.00 crore reported in FY2016 as a result of competition. Decline in revenues and high carryover inventory resulted in stretch in its liquidity.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 8.05 | 8.01 | 12.22 |
| EBITDA | Rs. Cr. | 1.35 | 1.50 | 1.50 |
| PAT | Rs. Cr. | 0.23 | 0.23 | 0.20 |
| EBITDA Margin | (%) | 16.81 | 18.73 | 12.28 |
| PAT Margin | (%) | 2.91 | 2.82 | 1.64 |
| ROCE | (%) | 11.27 | 12.29 | 23.16 |
| Total Debt/Tangible Net Worth | Times | 3.72 | 4.30 | 4.82 |
| PBDIT/Interest | Times | 1.73 | 1.69 | 1.77 |
| Total Debt/PBDIT | Times | 5.01 | 4.73 | 4.86 |
| Gross Current Assets (Days) | Days | 352 | 340 | 202 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|------------------------------|
| 24-Aug-2018 | Cash Credit | Long Term | 5.50 | ACUITE B (Indicative) |
| | Term loans | Long Term | 2.00 | ACUITE B (Indicative) |
| 11-Sep-2017 | Cash Credit | Long Term | 5.50 | ACUITE B/Stable (Reaffirmed) |
| | Term loans | Long Term | 2.00 | ACUITE B/Stable (Reaffirmed) |
| 3-Mar-2016 | Cash Credit | Long Term | 4.00 | ACUITE B/Stable (Assigned) |
| | Term loans | Long Term | 2.00 | ACUITE B/Stable (Assigned) |

*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 | 5.50 | ACUITE D (Downgraded from ACUITE B/Stable) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE D (Downgraded from ACUITE B/Stable) |

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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