

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:

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