

Press Release

YSR Spinning and Weaving Mills Private Limited

March 09, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 19.38 Cr.
Long Term Rating	ACUITE BB+ (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 19.38 cr. bank facilities of YSR Spinning and Weaving Mills Private Limited (YSPL).

The rating withdrawal is on account of request received from the company and NOC received from the banker in accordance with Acuité's policy on withdrawal of rating.

About the Company

YSR Spinning and Weaving Mills Private Ltd (YSPL) based out of Andhra Pradesh, was incorporated in 1999. The company is promoted by Mr. Y Sridhara Reddy and family. The company manufactures cotton yarn and has a manufacturing facility located at Guntur, Andhra Pradesh. The product range includes a wide range of Cotton Yarn, Cotton, Spinning and Weaving Yarn. The company started with 450 spindles. After expansion in 2011, it now has 26000 Spindle and 864 Rotors 14 Tons of Ring Spun, 2 tons of Open End, 3 Tons of Ring Doubling yarn per day.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track of operations**

The company has presence since 1999 in the textile processing industry and key promoter Mr. Y Sridhara, possess over four decade experience in the said line of business. Other promoters also have two decades on experience in same line of business. This experience has helped the company in establishing long standing relationship with its customers and suppliers

- **Moderate Financial Risk Profile**

The financial risk profile of the company stood moderate marked by moderate networth, gearing, and coverage indicators. The networth of the company stood at Rs. 16.69 crore as on March 31, 2020 against Rs. 16.92 crore as on March 31, 2019. The total debt stood at Rs. 17.23 crore as on 31 March 2020, which consists majorly of working capital borrowings. The Interest Service Coverage Ratio (ICR) has slightly deteriorated to 1.83 times in FY 2020 from 1.77 times in FY2019. The TOL/TNW improved marginally, at 1.58 times as on 31 March 2020 as against 1.77 times as on 31 March 2019. The Debt/ EBITDA has improved in FY2020 to 4.37 times as against 4.87 times in previous year. This was mainly because of the increase in EBITDA. NCA/ TD deteriorated to 0.07 times in FY2020 from 0.09 times in FY2019.

Weaknesses

- **Susceptible to volatility in raw material prices**

YSPL, operates in textile industry which is exposed to raw material fluctuation risk, i.e. cotton. The prices of cotton keep fluctuating because of government policies, international prices, and also agro climatic risk depending on monsoon. Any adverse movement in cotton prices have direct impact on revenues and operating margins of the company. The same can be observed through uneven revenues and margins.

- **Intense Competition**

The textile **industry continues to be competitive and highly fragmented** marked by presence of large number of **organized as well as unorganized players**. The competition is stiff and limit bargaining power with customers. Further, there is no much valuation or differencing factors for the products, thereby limiting margins in the sector.

Liquidity position: Adequate

The company has adequate liquidity marked by average net cash accruals to its maturing debt obligations. YSPL generated net cash accruals of Rs.1.27 crore against debt obligations of Rs.1.00 crore in FY2020. The cash accruals of the company are estimated to remain in the range of around Rs.1.50-2.00 crore during FY2021-23. The average cash credit limit utilization by the company stood at ~65.22 percent during the last six months ended in January, 2021. The company has maintained lower unencumbered cash and bank balances of Rs.0.09 crore as on 31 March, 2020. The current ratio stood moderate at 1.24 times as on 31 March, 2020.

Rating Sensitivities

- Decline in scale of operations and Margins
- Elongation in working capital cycle

Material Covenants

None

Outlook:

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	78.05	85.93
PAT	Rs. Cr.	0.23	0.43
PAT Margin	(%)	0.30	0.50
Total Debt/Tangible Net Worth	Times	1.02	1.09
PBDIT/Interest	Times	1.61	1.83

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-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
18-Dec-2019	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded and Indicative)
	Term Loan	Long Term	7.44	ACUITE BB+ (Downgraded and Indicative)
	SLC	Short Term	1.50	ACUITE A4+ (Downgraded and Indicative)
	Proposed Facility	Long Term	0.30	ACUITE BB+ (Downgraded and Indicative)
	Bank Guarantee	Short Term	0.14	ACUITE A4+ (Downgraded and Indicative)
26- Nov-2019	Cash Credit	Long Term	10.00	ACUITE BBB- (Indicative)
	Term Loan	Long Term	7.44	ACUITE BBB- (Indicative)
	SLC	Short Term	1.50	ACUITE A3 (Indicative)
	Proposed Facility	Long Term	0.30	ACUITE BBB- (Indicative)
	Bank Guarantee	Short Term	0.14	ACUITE A3 (Indicative)
05-Sept-2018	Cash Credit	Long Term	10.00	ACUITE BBB- (Indicative)
	Term Loan	Long Term	7.44	ACUITE BBB- (Indicative)
	SLC	Short Term	1.50	ACUITE A3 (Indicative)
	Proposed Facility	Long Term	0.30	ACUITE BBB- (Indicative)
	Bank Guarantee	Short Term	0.14	ACUITE A3 (Indicative)

***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	10.00	ACUITE BB+ (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.44	ACUITE BB+ (Withdrawn)
SLC	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Withdrawn)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE BB+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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