

Press Release

NKCM Spinners Private Limited (NKCM)

15 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 39.14 Cr.
Long Term Rating	SMERA BB/ Outlook : Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 39.14 crore bank facilities of NKCM Spinners Private Limited (NKCM). The outlook is '**Stable**'.

NKCM Spinners Private Limited, manufactures 100 per cent viscose staple fibre of counts ranging from 20s to 60s, cotton yarn and blends of cotton/polyester at Namakkal, Tamil Nadu. The company, led by Managing Director, Mr. Narendra Kumar Nakhat has installed capacity of 15,160 spindles.

Key rating drivers

Strengths

Experienced management, established track of operations: NKCM is promoted by Mr. Narendra Kumar Nakhat, who has almost 25 years of experience in the textile industry. He has been a wholesale distributor of yarn in Tamil Nadu. The company was incorporated in 2008 by merging partnership firms namely, NKCM Spinners, Narendra Kumar Cotton Mills and NKCM Textiles established in 2002.

Average financial risk profile: The average financial risk profile is marked by healthy net worth, moderate gearing and modest debt protection measures. The net worth levels of the entity stood at Rs.23.49 crore as on 31 March, 2017 as compared to Rs.23.28 crore in the previous year. The gearing levels remained moderate at 1.57x times in FY2017 as compared to 1.76x times in FY2016. The interest coverage levels declined to 1.47x times in FY2017 from 1.57x times in FY2016 due to reduction in the profitability levels. The net cash accruals to total debt (NCA/TD) stood at 0.07x times in FY2017 compared to 0.09x times in FY2016.

Weaknesses

Profitability margins are susceptible to volatility in raw material prices: The operating margin has remained volatile over the past three years due to fluctuations in raw material prices. The operating margins declined to 5.04 per cent in FY2017 from 6.71 per cent a year earlier due to increase in cost of viscose staple fibre, which constituted 97.62 per cent of the total raw material purchases.

Competitive and fragmented nature of business: NKCM operates in a highly fragmented textile industry wherein the presence of a large number of players limits the bargaining power with customers.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of NKCM to arrive at the rating.

Outlook – Stable

SMERA believes that NKCM will maintain a Stable outlook and continue to benefit over the medium term from its promoters' extensive experience. The outlook may be revised to 'Positive' if the company reports increasing profitability levels and maintains the capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity – Key Financials

For FY2017, NKCM reported profit after tax (PAT) of Rs.0.31 crore on operating income of Rs.154.90 crore compared with net profit of Rs.0.84 crore on operating income of Rs.159.39 crore in the previous year. The net worth stood at Rs.23.49 crore as on 31 March, 2017 compared to Rs.23.28 crore in the previous year.

Any other information:

Not Applicable

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>

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

India Ratings, vide release dated 03 October, 2017 has suspended the ratings of NKCM on account of lack of adequate information required for monitoring of ratings.

Brickwork Ratings release dated 12th October 2017 has reviewed the rating of NKCM Spinners Pvt Ltd Based on best available information, as the issue did not cooperate. BWR took up with the issue to provide required information over emails and tele calls. Despite the best efforts of BWR to get at least the minimum required information for a review, the firm has not provided the same. In the absence of adequate information from the firm, BWR is unable to assess the firm's financial performance and its ability to service its debt and maintain a valid rating.

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
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BB/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA BB/ Stable (Assigned)
Letter of Credit*	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.64	SMERA A4+ (Assigned)

*two- way interchangeability between FBWC limit to NFBWC limit to the extent of Rs.3.00 crore.

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ABOUT SMERA

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