

Press Release

K M S SPINNERS

December 27, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.25 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as SMERA B) on the Rs. 8.25 crore bank facilities of K M S SPINNERS. The outlook is '**Stable**'.

K M S Spinners, was established in 2015 by Mr. Mani and Mr. S Sedhuram (Managing Partners) as a partnership firm in Coimbatore, Tamil Nadu. It started manufacturing operations in November 2016. The company produces open ended cotton yarns, used in the manufacture of t-shirts, shirts and grey fabrics. The firm has installed 8 open-end spinning machines with production capacity of 1,200 tons per annum. The firm's clients are ginning and weaving mills mainly located across Palladam, Palayam, Tirupur and Srinivasam districts.

Key Rating Drivers

Strengths

- **Experienced management team**

Mr. M Mani (Partner) has more than 25 years of experience and Mr. S. Sedhuram (Managing Partner) has over six years of experience in the textile and spinning industry. Before the formation of K M S Spinners in 2015, the partners of the firm were associated with other firms in the same line of business.

Weaknesses

- **Moderate scale of operations**

The firm started its commercial operations in November 2016 and booked revenue of Rs. 2.70 crore in the first five months. For FY2018, the management expects to book revenues of Rs. 14.00 crore. The firm has a moderate production capacity of 1,200 tons per annum through its 8 installed open-end spinning rotor machines.

- **Presence in an intensely competitive textile industry**

The company faces intense competition from organised and unorganised players in the textile industry with profitability susceptible to fluctuation in raw material prices.

- **Average financial risk profile**

The firm has an average financial risk profile with gearing at 2.18 times and interest coverage ratio (ICR) at 0.64 times for FY2017. The net worth stood at Rs. 3.55 crore in FY2017. However, the financial risk profile is expected to improve going forward on account of increase in capacity utilization and order book.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company for arriving at the rating

Outlook: Stable

SMERA believes that K M S Spinners will benefit from its experienced management over the medium term. The outlook may be revised to 'Positive' in case the company significantly increases its scale of operations

and reports an improvement in its operating margin profile. Conversely, the outlook may be revised to 'Negative' in case the firm records lower than expected revenue and profit margin or sees deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	2.70	0.00	0.00
EBITDA	Rs. Cr.	0.20	0.00	0.00
PAT	Rs. Cr.	-0.77	0.00	0.00
EBITDA Margin	(%)	7.59	0.00	0.00
PAT Margin	(%)	-28.46	0.00	0.00
ROCE	(%)	-7.58	0.00	0.00
Total Debt/Tangible Net Worth	Times	2.18	0.00	0.00
PBDIT/Interest	Times	0.64	0.00	0.00
Total Debt/PBDIT	Times	35.49	0.00	0.00
Gross Current Assets (Days)	Days	290	0	0

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B / Stable

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