

Press Release

Shri Mookambiga Spinning Mills Private Limited (SMSMPL)

09 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.28.00 Cr.
Long Term Rating	SMERA BB-/ Outlook:Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the above mentioned facility of Shri Mookambiga Spinning Mills Private Limited. The outlook is '**Stable**'.

Incorporated in 1982, Shri Mookambiga Spinning Mills Pvt Ltd (SMSMPL) by Mr. E. N. Othisamy, manufactures cotton yarn from 24s to 60s counts. The company is also engaged in the trading of cotton fabric. The day-to-day activities of the company are managed by Managing Director, Mr. E.O. Sathiesh Kumar. SMSMPL has an installed capacity of 31,008 spindles with facility located in Dindigul, Tamil Nadu. SMSMPL also has its own captive power generating wind mills with installed capacity of 5.5 MW.

Key rating drivers

Strengths

Experienced management with established track of operations: SMSMPL is promoted by Mr. E.O. Sathiesh Kumar, who has almost 15 years of experience in the textile industry.

Increasing scale of operations: The company generated revenue of Rs 71.84 crore in FY2017 increased from Rs 59.22 crore in FY2016 due to increase in sales of cotton fabric (traded goods). The company generated revenue of Rs.25.94 crore from sale of cotton fabric in FY2017 as compared to Rs.14.87 crore in FY2016. The company also generated an operating income of Rs.51.68 crore from April 2017 to December 2017 (provisional).

Weaknesses

Average financial risk profile The average financial risk profile is marked by moderate net worth, high gearing and modest debt protection measures. The net worth levels of the entity stood at Rs.8.80 crore as on 31 March, 2017 as compared to Rs.8.75 crore in the previous year. The gearing levels remained high at 3.87 times in FY2017 as compared to 4.03 times in FY2016. The company has short term debt of Rs.29.09 crore and long term debt of Rs.3.20 crore as on 31 March 2017. The interest coverage levels declined to 1.58 times in FY2017 from 1.68x times in

FY2016 due to reduction in the profitability levels. The net cash accruals to total debt (NCA/TD) stood at 0.08x times in FY2017 and FY2016.

Profitability margins are susceptible to volatility in raw material price: The company's operating margin remained volatile over the past three years due to raw material price fluctuation. Operating margin declined to 8.90 per cent in FY2017 as compared to 10.19 per cent in FY2016 due to increase in employee and selling expenses.

Working capital intensive nature of operations: The company's operations remained working capital intensive as evident from GCA days of 157 days in FY2017 as compared to 171 days in FY2016 due to high inventory and moderately high debtor days. The entity provides credit period of 45 to 60 days to its customers, and holds inventory up to three months. Average working capital utilization for the past 6 months stood around 99.40 per cent over the past six months.

Analytical approach: SMERA has considered standalone business and financial risk profiles of SMSMPL.

Outlook – Stable

SMERA believes that SMSMPL will continue to benefit over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' if the company sustains increasing revenue trend coupled with increase in cash accruals thereby leading to an improvement in their capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or further deterioration in the capital structure.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	71.84	59.22	62.04
EBITDA	Rs. Cr.	6.39	6.03	4.41
PAT	Rs. Cr.	0.39	0.47	0.11
EBITDA Margin (%)	(%)	8.90	10.19	7.11
PAT Margin (%)	(%)	0.55	0.79	0.17
ROCE (%)	(%)	9.30	8.89	20.68
Total Debt/Tangible Net Worth	Times	3.87	4.03	4.04
PBDIT/Interest	Times	1.58	1.68	1.55
Total Debt/PBDIT	Times	5.18	5.51	4.84
Gross Current Assets (Days)	Days	157	171	157

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: India Ratings, vide release dated 06 December, 2017 has suspended the ratings of SMSMPL on account of lack of adequate information required for monitoring of ratings.

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	23.00	SMERA BB-/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB-/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.86	SMERA BB-/Stable (Assigned)
Proposed Term Loans	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA BB-/Stable (Assigned)

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ABOUT SMERA

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