

Press Release

Annamalaiar Spinners Private Limited

04 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.6.54 Crore.
Long Term Rating	SMERA B+/ Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.6.54 crore bank facilities of Annamalaiar Spinners Private Limited (ASPL). The outlook is **'Stable'**.

Incorporated in 1989, Annamalaiar Spinners Private Limited (ASPL) manufactures polyester-cotton blended yarn of counts 63s, 64s carded yarn and counts 60s, 70s, 74s and 80s combed yarn. The manufacturing facility is located at Dindigul (Tamil Nadu) with an installed capacity of 12,672 spindles. The day to day operations of ASPL are managed by its Directors, Mr. Sabarish Jayabalan and Mr. Vivek Velusamy.

Key rating drivers

Strengths

Experienced management and efficient working capital management: The company is promoted by Mr. Jayabalan and Mr. Muthuswamy Veluswamy who possess more than three decades of experience in the textile industry. The day to day operations are managed by second generation entrepreneurs, Mr. Sabarish Jayabalan and Mr. Vivek Velusamy. The operations are working capital efficient as evident from Gross Current Asset (GCA) days of 56 as on March 31, 2018 (provisional) as against 71 days as on March 31, 2017. The inventory days ranged from 19 to 40 and debtor days ranged from 17 to 23 during FY15-FY18. The company gives credit of up to 3 weeks to its customers. SMERA believes that established presence of the promoters in the industry will enable them to manage the working capital cycle efficiently.

Moderate financial risk profile: The financial risk profile is marked by moderate gearing and debt protection metrics though underpinned by modest net worth. The gearing levels deteriorated from 0.67 times as on March 31, 2016 to 1.20 times as on March 31, 2016. Net worth stood at Rs.3.43 crore as on March 31, 2017 as compared to Rs.3.54 crore as on March 31, 2016. The debt protection metrics of Interest Coverage Ratio (ICR) and Net Cash Accruals to Total Debt (NCA/TD) are moderate at 2.09 times and 0.11 times respectively for FY2017. SMERA believes that the financial risk profile is expected to remain moderate over the medium term in the absence of significant debt-funded capex plans.

Weaknesses

Modest scale of revenues and volatile operating margins: The revenues are modest at Rs.16.07 crore in FY2017, though increased to about Rs.20.09 crore on provisional basis for FY2018. Further, ASPL has reported loss of about Rs.0.10 crore in FY2017 and its cash accruals are tightly matching to the repayment obligations for the past two years through FY2017. Operating margins are volatile in the range of 6.5 percent to 5.5 percent over the past four years through FY2018 on account of fluctuations in raw material price. SMERA believes that the revenues are expected to be modest in the range of Rs.20.00 crore to Rs.25.00 crore over the medium term with profitability margins oscillating at 6 percent.

Analytical approach

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

SMERA Ratings Limited

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Outlook – Stable

SMERA believes that the outlook of ASPL will remain 'Stable' over the medium term on account of its experienced management and efficient working capital management. The outlook may be revised to 'Positive' if the company achieves better than expected growth in revenues while improving its profitability margins. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability margins leading to deterioration in the liquidity.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.07	13.69	17.06
EBITDA	Rs. Cr.	0.88	0.74	1.11
PAT	Rs. Cr.	-0.10	0.15	0.49
EBITDA Margin	(%)	5.49	5.41	6.51
PAT Margin	(%)	-0.64	1.09	2.88
ROCE	(%)	5.12	7.86	35.94
Total Debt/Tangible Net Worth	Times	1.20	0.67	0.37
PBDIT/Interest	Times	2.09	3.79	6.96
Total Debt/PBDIT	Times	4.47	2.92	1.03
Gross Current Assets (Days)	Days	71	54	52

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): Not Applicable

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	1.50	SMERA B+/Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.54	SMERA B+/Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4 (Assigned)

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ABOUT SMERA

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