

Press Release

Divya Spinning Mills Private Limited

April 27, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.45.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.45.00 crore bank facilities of Divya Spinning Mill Private Limited (DSMPL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About the rated entity

Incorporated in 1999 by Mr. S. Subramani, Divya Spinning Mill Private Limited (DSMPL) manufactures cotton yarn hosiery cloth. The company manufactures cotton yarn to the counts ranging from 20s to 40s and has ~36,288 spindles. The company also manufactures cloth from 9 inch dia to 36 inch dia (interlock and single jersey) and has 120 knitting machines. The company has facility located in Tirupur (Tamil Nadu) and produces ~550 tons of cloth and yarn together per month.

About the group Company

Flower Knitting Mills (FKM) was set up in 1988 by Mr. S. Subramani. The entity manufactures and exports nightwear, T-shirts, shorts, and undergarments for men, women, and kids; it exports its products to regions such as the EU and the UAE. The entity has manufacturing unit located in Tirupur (Tamil Nadu) with installed capacity to manufacture 4,00,000 pieces per month. The unit is equipped with 400 sewing machines.

Analytical Approach

Acuite has considered the consolidated business and financial risk profile of DSMPL and FKM, hereafter referred to as the Flower Group (FG), on account of common management and same line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Experience management

Flower group is promoted by Mr. S. Subramani and Mr. S Senthil Kumar. Mr. S. Subramani is founder of the group and has experience of around four decades in the textile industry. Mr. S Senthil Kumar is the second generation entrepreneur and has around a decade of experience in the textile business. The group has presence in entire textile value chain through manufacture of cotton yarn, hosiery cloth, undergarments and readymade garments. The group's readymade garments are majorly sold to clients in Germany, Netherlands, and Belgium among other European countries.

Acuite believes that the group will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

• Moderate financial risk profile

The financial risk profile of the group stood moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.56.23 crore as on March 31, 2020 as

against Rs.53.93 crore as on March 31, 2019. The total debt of the group stood at Rs.57.58 crore includes Rs.14.72 crore of long term debt, Rs. 6.94 crore of unsecured loans from promoters and Rs.35.92 crore of short term debt as on March 31, 2020. The gearing (debt-equity) stood at 1.02 times as on March 31, 2020 as compared to 1.25 times as on March 31, 2019. Interest Coverage Ratio stood at 1.52 times for FY2020 as against 1.67 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 1.52 times in FY2020 as against 1.71 times in FY2019. Total outside Liabilities/Total Net Worth (TOL/TNW) stood high at 2.01 times as on March 31, 2020 as against 2.30 times on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.07 times for FY2020 as against 0.10 times for FY2019.

Acuite believes that the financial risk profile of the group is expected to remain at the same level over the medium term.

Weaknesses

• Working capital intensive operations

The operations of group are working capital intensive operations marked by Gross Current Asset (GCA) days of 358 days in FY2020 as against 245 days in FY2019. High GCA days are due to high receivables period of 153 days in FY2020 as against 111 days in FY2019 and High Inventory days stood at 207 days in FY2020 as against 131 days in FY2019. The average bank limit utilization remained high at 99 percent for the last 7 months ended March 2021.

Acuite believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

The group has stretched liquidity marked by moderate net cash accruals and high bank limit utilisation. The group generated cash accruals of Rs.4.00-Rs.7.20 crore during the last three years through FY2018-20. The group's working capital operation is intensive marked by gross current asset (GCA) of 358 days in FY2020 as against 245 days in FY2019. The group maintains an unencumbered cash and bank balances of Rs.0.16 crore as on March 31, 2020. The current ratio of the group stood at 1.42 times as on March 31, 2020. The average bank limit utilization stood high at around 99 percent for the last 7 months ended March 2021 for Divya Spinning Mill Private Limited and stood moderate at around 57.69 percent for the last 7 months ended March 2021 for Flower Knitting Mills.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	130.34	200.00
PAT	Rs. Cr.	1.79	2.01
PAT Margin	(%)	1.37	1.00
Total Debt/Tangible Net Worth	Times	1.02	1.25
PBDIT/Interest	Times	1.52	1.67

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

Not Applicable

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
06-Nov-2020	Cash Credit	Long Term	30.00	ACUITE BB- (Downgraded; Indicative)
	Standby Line of Credit	Short Term	2.00	ACUITE A4+ (Indicative)
	Term Loan	Long Term	6.75	ACUITE BB (Downgraded; Indicative)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	2.25	ACUITE A4+ (Indicative)
16-Aug-2019	Cash Credit	Long Term	30.00	ACUITE BB (Indicative)
	Standby Line of Credit	Short Term	2.00	ACUITE A4+ (Indicative)
	Term Loan	Long Term	6.75	ACUITE BB (Indicative)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	2.25	ACUITE A4+ (Indicative)
29-June-2018	Cash Credit	Long Term	30.00	ACUITE BB/Stable (Assigned)
	Standby Line of Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	6.75	ACUITE BB/Stable (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.25	ACUITE A4+ (Assigned)

*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	30.00	ACUITE BB- (Withdrawn)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Withdrawn)
Term Loan	Feb-2014	12.00	Feb-2022	6.75	ACUITE BB- (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Withdrawn)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ (Withdrawn)

Contacts

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About Acuite Ratings & Research:

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