

Press Release

Sri Amman Sizing And Weaving Mills

September 03, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 31.20 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 31.20 crore bank facilities of Sri Amman Sizing And Weaving Mills. The outlook is '**Stable**'.

Established in 2016, SASWM is a partnership firm based out of Coimbatore (Tamil Nadu) engaged in sizing and manufacturing of grey cloth. The firm has installed capacity of 56 looms and one sizing beam with average weaving capacity of 22400 meters of grey cloth per day.

Key Rating Drivers

Strengths

- **Established presence of the promoters:**

Mr. S N Nithyanadhan, the Promoter of the firm has over 15 years of experience in the textile industry. Previously, he worked as General Manager in Spinning Mills. The promoters also holds directorship/ Partnership in other firms such as SNN Textiles P Ltd, Sri Murugan Textiles, and SNN Poultry farm & Thulasi Poultry farm to name few.

Weaknesses

- **Initial Stage of Operation and Intensely Competitive industry:**

SASWM was established in 2016, hence the operations are currently at nascent stage and yet to stabilise. Also, the firm operates in an intensively competitive industry.

- **Below average financial risk profile:**

SASWM's financial risk profile is below average marked by high gearing (debt-to-equity ratio) and total outside liabilities to total net worth (TOL/TNW), though underpinned by moderate debt protection metrics. Its gearing is high at 5.11 times (Provisional) as on March 31, 2018 majorly due to early stage of operation. TOL/TNW is high at 5.48 times (Provisional) in FY2018. Its debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 3.42 times and 0.11 times respectively in FY2018 (Provisional).

Analytical Approach

Acuité has considered the standalone financial risk profile of Sri Amman Sizing and Weaving Mills

Outlook: Stable

Acuité believes that the outlook on SASWM will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm improves the scale of operation while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle and reduced profitability resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.04	0.00	0.00
EBITDA	Rs. Cr.	4.68	0.00	0.00
PAT	Rs. Cr.	0.01	0.12	0.00

EBITDA Margin	(%)	12.98	0.00	0.00
PAT Margin	(%)	0.03	0.00	0.00
ROCE	(%)	4.95	1.90	0.00
Total Debt/Tangible Net Worth	Times	5.11	2.29	0.00
PBDIT/Interest	Times	3.48	0.00	0.00
Total Debt/PBDIT	Times	6.51	73.21	0.00
Gross Current Assets (Days)	Days	137	0	0

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	11.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.70	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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