

## Press Release

### Sri Amman Sizing And Weaving Mills

November 27, 2019

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed 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, Sri Amman Sizing and Weaving Mills (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 with ~95 percent of utilization. The operations started in April 2017.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sri Amman Sizing and Weaving Mills to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

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. Acuité believes that SASWM will sustain its existing business profile on the back of its experienced management.

#### Weaknesses

- **Limited track record of operations and intensely competitive industry**

SASWM was established in 2016 and the operations started in April 2017. Hence the firm has limited track record of operations in the textile industry. Also, the firm operates in an intensely competitive industry.

- **Weak financial risk profile**

The financial risk profile stood weak marked by tangible net worth of Rs. 6.10 crore as on 31 March, 2019 as against Rs. 5.54 crore as on 31 March, 2018. The gearing (debt-to-equity) stood high at 5.48 times as on 31 March, 2019 as against 5.87 times as on 31 March, 2018. The total debt outstanding of Rs. 33.45 crore as on 31 March, 2019 comprises of Rs. 18.67 crore of long term debt and Rs. 14.78 crore of short term borrowings. The interest coverage ratio stood at 2.29 times for FY2019 as against 5.59 times in FY2018. Total outside liabilities to tangible net worth (TOL/TNW) stood high at 6.65 times as on 31 March, 2019 as against 6.29 times as on 31 March, 2018. The net cash accruals stood at Rs. 4.43 crore in FY2019 as against Rs. 0.77 crore of repayment obligation for the same period.

- **Moderate working capital operations**

The firm has moderate working capital operations marked by Gross Current Assets (GCA) of 140 days for FY2019 as against 153 days for FY2018. The inventory holding period stood at 47 days for FY2019 as against 74 days for FY2018. The receivables days stood at 65 days for FY2019 as against 80 days in FY2018. Acuité believes that the ability of the firm to maintain its working capital operations will be key rating sensitivity.

### Liquidity Position: Adequate

The firm has adequate liquidity marked by adequate net cash accruals against its debt obligations. The firm generated cash accruals of Rs. 4.43 crore for FY2019 against repayment obligations of Rs. 0.77 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 4.00 crore to Rs. 6.00 crore during 2020-22 against debt obligation of around Rs. 2.00 crore to Rs. 3.00 crore for the same period. The firm has moderate working capital operations marked by GCA days of 140 days for FY2019. The firm maintains unencumbered cash and bank balances of Rs. 5.07 crore as on 31 March, 2019. The current ratio stood at 1.17 times as on 31 March, 2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accruals against its debt obligation in near to medium term.

### Rating Sensitivities

- Significant improvement in scale of operations
- Significant Decline in profitability
- Deterioration in working capital cycle.

### Any Material Covenants

None

### Outlook: Stable

Acuite believes that SASWM will maintain 'Stable' outlook over the medium term on back of experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	71.91	35.48	0.00
EBITDA	Rs. Cr.	7.79	7.80	0.00
PAT	Rs. Cr.	0.37	-0.56	0.12
EBITDA Margin	(%)	10.84	21.99	NA
PAT Margin	(%)	0.51	-1.59	NA
ROCE	(%)	9.77	2.91	1.90
Total Debt/Tangible Net Worth	Times	5.48	5.87	2.29
PBDIT/Interest	Times	2.29	5.59	NA
Total Debt/PBDIT	Times	4.27	4.03	73.21
Gross Current Assets (Days)	Days	140	153	NA

### 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/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Sep-2018	Cash Credit	Long Term	11.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	12.50	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	3.70	ACUITE B+ / Stable (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	11.00*	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.70	ACUITE B+ / Stable (Reaffirmed)

\*Includes sublimit of ODBD to the extent of Rs. 2.00 crore, PC to the extent of Rs. 3.00 crore, FDB/FBE to the extent of Rs. 2.00 crore and BULC to the extent of Rs. 3.00 crore.

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**About Acuité Ratings & Research:**

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