

Press Release

Sri Amman Sizing and Weaving Mills

November 26, 2021



Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.20	31.20	ACUITE B+ Stable Reaffirmed	
Total	31.20	31.20	-	-

Rating Rationale

Acuite has reaffirmed its 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**'

Rationale for rating reaffirmed

The rating reaffirmation takes into account its experienced management and moderate financial risk profile. These strengths are partially offset by its limited track record of operations and intensely competitive industry.

About the Company

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 1 sizing beam with average weaving capacity of 22,400 meters of grey cloth per day with ~95 percent of utilization. The operations commenced in April 2017.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of SASWM to arrive at the rating

Key Rating Drivers

Strengths

Experienced management

Mr. S. N. Nithyanadhan, the managing partner of the firm has over 15 years of experience in the textile industry. Acuite believes that SASWM will sustain its existing business profile on the back of its experienced management.

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by low net worth, moderate debt protection metrics, high gearing. The net worth of the firm improved to Rs. 10.11 Cr as on 31 March, 2021 (Prov) from Rs.8.53 Cr as on 31 March, 2020, on account of accretion to reserves and infusion of capital by the partners to a sum of Rs.1.58 Cr. The gearing level (debt-equity) stood high at 3.43 times as on 31 March, 2021(Prov) as against 3.52 times as on 31 March, 2020. The total debt was Rs.34.65 Cr as on 31 March, 2021(Prov) which comprises Rs.23.85 Cr as a term loan and Rs.10.80 Cr as a working capital limit from the bank. Debt protection metrics remained moderate marked by interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 1.89 times and 1.63 times, respectively in FY2021(Prov). NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.08 times in FY2021 (Prov) and 0.10 times in

FY2020. Debt/EBITDA stood at 5.37 times in FY2021 (Prov). Acuité believes that the financial risk profile of the firm is expected to remain moderate on account high long term borrowings and moderate profitability.

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.

Working Capital intensive nature of Operations

Operations of the firm are working capital intensive marked by Gross Current Asset (GCA) of 111 days in as on 31 March 2021 (Prov) as compared to 127 days as on 31 March 2020. This is on account of debtors' collection period of 45 days as on 31 March 2021 (Prov) as against 69 days as on 31 March 2020 and inventory holding period of 33 days as on 31 March 2021 (Prov) as against 29 days as on 31 March 2020. Current ratio of the firm stood at 1.92 times as on 31 March, 2021 (Prov). Acuité believes that the working capital operations of SASWM will continue to remain intensive on account of high debtors' collection period.

Liquidity Position- Adequate

Firm has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. Firm generated cash accruals of Rs.2.82 Cr in FY2021 (Prov) against debt obligation of Rs.0.40 Cr for the same period. The cash accruals of the firm are estimated to remain in the range of Rs.3.00 Cr– Rs.5.00 Cr during 2021-23, while its repayment obligations are estimated to remain in the range of Rs. 0.40 - Rs. 3.50 Cr for the same period. Firm's operations are working capital intensive as marked by gross current asset (GCA) days of 111 days in FY2021 (Prov). The firm maintains unencumbered cash and bank balances of Rs.0.06 Cr as on March 31, 2021(prov). The current ratio of the firm stands at 1.92 times as on March 31, 2021 (Prov).

Rating Sensitivities

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Anyweakening of financial risk profile of the company.

Material covenants

None

Outlook: Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	121.63	123.18
PAT	Rs. Cr.	0.52	0.46
PAT Margin	(%)	0.43	0.38
Total Debt/Tangible Net Worth	Times	3.43	3.52
PBDIT/Interest	Times	1.89	2.03

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>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2021	Term Loan	Long Term	12.50	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	3.70	ACUITE B+ Stable (Reaffirmed)
27 Nov 2019	Term Loan	Long Term	12.50	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	3.70	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE B+ Stable (Reaffirmed)
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

Lender's Name	Facilities	ISIN	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	11.00	ACUITE B+ Stable Reaffirmed
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.00	2.88	ACUITE B+ Stable Reaffirmed
Canara Bank	Term Loan	Not Applicable	01-01-2017	Not available	16-06-2027	0.00	11.63	ACUITE B+ Stable Reaffirmed
Canara Bank	Term Loan	Not Applicable	01-12-2017	Not available	30-11-2027	0.00	1.49	ACUITE B+ Stable Reaffirmed
Canara Bank	Term Loan	Not Applicable	16-06-2016	Not available	25-12-2025	0.00	1.30	ACUITE B+ Stable Reaffirmed
Canara Bank	Term Loan	Not Applicable	10-01-2017	Not available	15-12-2026	0.00	2.90	ACUITE B+ Stable Reaffirmed

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About Acuité Ratings & Research

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