

Press Release

Sri Amman Textiles

03 September, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 11.00 crore bank facilities of Sri Amman Textile (SAT). The outlook is "**Stable**"

Established in 2013, Sri Amman Textiles a Tamil Nadu based partnership firm engaged in manufacturing of grey cloths from cotton yarns. The manufacturing facility is located in Coimbatore with installed capacity of 70,00,000 meters per annum. The firm is promoted by Mr. A. Kalisamy along with four other partners namely Mr. P. Gokul, Mrs. M Suchitra, Mr. S.N Nithyanandhan and Mr. S.N. Swaminathan.

Key Rating Drivers

Strengths

Experienced Management

Promoted by Mr. A. Kalisamy in 2013- SAT has a track record of five years in grey cloth manufacturing. Along with Mr. A. Kalisamy the firm is headed by four other partners who has diversified business experience in poultry farming and real estate. In addition the partners are managing - Sree Amman Sizing and Weaving Mills another partnership firm engaged in weaving and spinning.

Moderate Geographical Diversification

The firm caters to the textile mills of Gujarat, Maharashtra and Karnataka. In addition SAT is exporting to South Korea from where it derives ~ 50 per cent of revenue.

Weaknesses

Modest Scale of Operations

The scale of operation is modest with revenue of Rs. 37.83 cr in FY2018 (prov) as compare to Rs. 32.70 cr in FY2017.

Moderate financial risk profile

The financial risk profile is moderate marked by modest net worth of Rs. 3.53 cr as on 31 March, 2018 (prov) as against Rs. 2.28 cr in the previous year. The gearing (debt-to-equity) stood high at 1.94 times as on 31st March'18 (prov) as compare to 3.75 times in the previous year. The

improvement in debt-equity is on account of lower working capital utilization and term loan repayment during FY 2017-18. The total debt of Rs. 6.84 cr as on 31st March'18 (prov) consists of working capital borrowings of Rs. 4.24 cr and term loan of 2.60 cr. The debt protection metrics is moderate marked by interest coverage ratio (ICR) of 1.90 times as on 31st March'18 (prov) as compare to 1.65 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.11 times as on 31st March'18 (prov).

Working Capital Intensive Operations

The operations are working capital intensive in nature marked by GCA days of 109 days as on 31st March'2018 (prov) as compare to 115 days in the previous year. The firm generally maintains inventory of 45-60 days and provides credit of ~ 40 days to its customers. During the six month ended June'18 the firm has utilized ~ 70 per cent of its working capital limit of Rs 8 cr.

Outlook: Stable

Acuite believes that the firm will maintain a Stable outlook and continue to benefit over the medium term from its management's experience. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenue and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability margins, or significant deterioration in its capital structure due to stretch in working capital cycle. Large debt-funded capital expenditure undertaken by the company may also entail a 'Negative' outlook.

Analytical Approach: Acuite has taken a standalone view of the business and financial risk profile and SAT.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.83	32.70	10.46
EBITDA	Rs. Cr.	1.83	1.55	1.10
PAT	Rs. Cr.	0.18	0.07	0.14
EBITDA Margin	(%)	4.85	4.73	10.50
PAT Margin	(%)	0.47	0.22	1.37
ROCE	(%)	11.68	9.96	9.81
Total Debt/Tangible Net Worth	Times	1.94	3.75	4.62
PBDIT/Interest	Times	1.90	1.65	2.13
Total Debt/PBDIT	Times	3.71	5.77	7.52
Gross Current Assets (Days)	Days	109	115	267

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.71	ACUITE BB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB-/Stable (Assigned)
Proposed facilities	Not Applicable	Not Applicable	Not Applicable	1.29	ACUITE BB-/Stable (Assigned)

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About Acuité Ratings & Research:

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