



Press Release
SRI MURUGAN TEXTILES
January 08, 2025
Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.12	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	50.41	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	0.54	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	55.07	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on Rs. 50.41 Cr. bank facilities of Sri Murugan textiles. The outlook is **Stable**. Acuite has reaffirmed its short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs. 0.54 Cr. of Sri Murugan textiles.

Acuite has also assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on Rs. 4.12 Cr. bank facilities of Sri Murugan textiles. The outlook is **Stable**.

Rationale for rating

The upgradation of rating considers augmentation in scale of operations, improvement in operating profitability, efficient working capital operations, adequate liquidity and experienced partners with established track record in same line of business. However, these strengths are partly offset by overall dip in PAT margin, average financial risk profile and susceptibility in profitability towards volatility in raw material prices its presence in fragmented and regulated industry with intense competition.

About the Company

Established in 2014, Sri Murugan Textiles (SMT) is a partnership firm based out of Annur Coimbatore (Tamil Nadu) engaged in sizing and manufacturing of Rayon Fabrics. The firm has installed capacity of 114 Airjet looms. The firm is managed by Mr. K. Manojkumar, Ms. S. Madhumitha, Mr. A Kalisamy, Mr. S. N. Swaminathan, Mr. S. N. Nithyandhan and Mr. M. Suchitra

About the Group

Sri Amman Group has 4 partnership firms and one Private Limited company namely – Sri Amman textiles, Sri Amman Sizing and Weaving Mills, Sri Madura Textiles, Sri Murugan Textiles and Sri Amman Sizing and weaving mills Private Limited. The group is currently managed by 6 partners Nityanandan, Swaminandan, kaliswami, manoj Kumar, Gokul, Suchitra. All the partners are family members. The group has established Sri Amman Sizing and Weaving Mills Private Limited in FY20. The company was established as a SPV to supply solar power to its group company. The company does not undertake any other operations except the supply of solar power to its group companies/firms. The loans will be repaid from the sale proceedings of Solar power. The group manufactures grey fabrics of various qualities. The realizations depend up on the quality of the fabric produced.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken consolidated view of Sri Amman textiles, Sri Amman Sizing and weaving mills, Sri Murugan Textiles, Sri Madura Textiles, Sri Amman Sizing and weaving mills Private Limited. The consolidation is in the view of similar line of business, common management, operational and financial linkages between the firms and company. In addition to that Sri Amman Textiles, Sri Amman Sizing and Weaving Mills have also extended corporate guarantees to Sri Amman Sizing and weaving mills Private Limited. The group herein, is referred to as the “Amman Group”.

Key Rating Drivers

Strengths

Experienced partners with established track record in same line of business

All the partners of the group have presence in the textile industry for nearly two decades. This has helped the group in building healthy relationships with its suppliers and customers to ensure a steady raw material supply and repeat orders from its customers. The group's business leverages benefit from the experience of the business and has grown over the years.

Acuité believes that partners established presence in the textile industry will support the group's business profile over the medium term.

Augmentation in scale of operations and improvement in profitability; dip in PAT margin

The group has shown augmentation in scale of operations by reporting the revenue of Rs 823.60 Cr. in the FY 24 posting a growth of 30 percent against previous year revenue of Rs.633.58 Cr. This growth in revenue is mainly due to higher sale of quantity during the year. To capture the increasing demand of fabrics, the group has hired some looms for weaving coupled with low realisations.

The group has reported a steady EBITDA margin of 5.09% in FY24 as against 4.13% in FY23 which is supported by economics of scale benefits. The group's PAT margin has dipped to 0.03% in FY24 as against 0.36% in FY23 mainly due to increase in the finance cost and dip in overall other income in FY24 resulted in the lower PAT margin.

Going forward, Acuité believes that the ability of the group to maintain its scale of operations and improve in profitability margins is going to remain a key monitorable over the medium term.

Efficient working capital operations

The working capital management of the group is efficient marked by improved Gross Current Assets (GCA) of 85 days as on 31st March 2024 as compared to 102 days as on 31st March 2023 supported by timely receipts from clientele. The inventory holding period improved and stood 28 days in FY2024 as against 42 days in FY2023. The debtors holding period stood at same level i.e. 47 days in FY2024 as against 46 days in FY2023 which is inline with the credit policy of the group. The creditors holding period stood at same level i.e 32 days in FY2024 as against 33 days in FY2023. The consolidated fund based limit utilisation stood at an average of ~85.69 percent during past 12 months ending Nov 2024. Acuite believes that working capital operations of the group will remain efficient over the medium term as evident from the efficient collection mechanism and low inventory levels.

Weaknesses

Average financial risk profile

Amman group's financial risk profile is average which is marked by average net worth, comfortable gearing level and average debt protection metrics. Group's net worth stood at Rs. 65.21 Cr. as on March 31, 2024 as compared to Rs. 64.23 Cr. as on March 31, 2023. Improvement in net worth is mainly on account of accretion for profits to reserves.

Gearing of the group improved and stood moderate at 3.20 times as on March 31, 2024 as against 3.34 times as on March 31, 2023 on account of increase in net worth of the group and reduction in debt obligations. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high but at same level i.e 4.22 times as on March 31, 2024 as against 4.20 times as on March 31, 2023. The moderate debt protection metrics of the group stood at same level which marked by interest coverage ratio at 2.16 times as on March 31, 2024 and debt service coverage ratio at 1.09 times as on March 31, 2024 as against 2.17 times and 1.13 times as on March 31, 2023 respectively. Net Cash Accruals/Total Debt (NCA/TD) also improved and stood at 0.11 times as on March 31, 2024 as against 0.07 times as on March 31, 2023.

As per management, no further capex is expected over the near to medium term. Acuite believes that financial risk profile will improve on account of its improving scale of operations, expected improvement in profitability.

Susceptibility to fluctuation in raw material prices:

Amman Group's profitability is susceptible to fluctuations in the prices of major raw materials such as domestic cotton and Imported yarn. Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon. Thus, any situation of inadequate rainfall affects the availability of cotton in adverse weather conditions. Furthermore, any abrupt change in cotton prices due to supply-demand scenario and government regulations can

lead to distortion of prices and affect the profitability of players across the cotton value chain. Acuité believes that the group's business profile and financial risk profile can be adversely impacted on account of presence of inherent risk of susceptibility of volatility in raw cotton prices, since the industry is highly commoditized.

Capital withdrawal risk associated with partnership firm

Being a partnership firm, firm is exposed to the capital withdrawal risk. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Movement in the scale of operation while sustainability in its profitability margin
- Movement in the working capital cycle impacting the financial risk profile and liquidity position.

Liquidity Position

Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.21.93 Cr. as on March 31, 2024 as against long term debt repayment of Rs.18.47 Cr. over the same period. Overall profits and cash accruals from the business stood at a comfortable level in FY2024 which remain sufficient to meet the scheduled debt obligations. Adequate cash accruals led to moderate reliance on the working capital limits which were utilized in the range of ~85.69 percent during past 12 months ending Nov 2024. Acuite believes that liquidity position of the group will remain adequate in the medium term backed by sufficient NCA against repayment obligations and absence of major debt funded capex plans .

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	823.60	633.58
PAT	Rs. Cr.	0.22	2.27
PAT Margin	(%)	0.03	0.36
Total Debt/Tangible Net Worth	Times	3.20	3.34
PBDIT/Interest	Times	2.16	2.17

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Jan 2024	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.39	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	12.58	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.85	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.95	ACUITE BB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.60	ACUITE BB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	1.08	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	4.05	ACUITE BB Stable (Reaffirmed)
03 Nov 2022	Letter of Credit	Short Term	10.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	2.00	ACUITE BB Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.68	ACUITE BB Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	6.00	ACUITE BB Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	8.00	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.39	ACUITE BB Stable (Upgraded from ACUITE B+)
04 May 2022	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WCDL)	Long Term	0.50	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Working Capital Term Loan	Long Term	0.78	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.14	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.45	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	6.25	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.95	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.12	Simple	ACUITE BB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.54	Simple	ACUITE A4+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	14 Sep 2027	1.84	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Sep 2027	0.08	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	12 Apr 2030	2.39	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	03 Mar 2027	0.77	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Sep 2031	15.33	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No	Company Names
1	Sri Amman Sizing and Weaving Mills Private Limited.
2	Sri Amman Sizing and Weaving Mills.
3	Sri Amman Textiles
4	Sri Madura Textiles
5	Sri Murugan Textiles

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About Acuité Ratings & Research

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