



**Press Release**  
**Sree Kaderi Ambal Mills Private Limited**  
**June 25, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.20	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	3.80	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	59.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.59.00 crore bank facilities of Sree Kaderi Ambal Mills Private Limited (SKAMPL). The outlook is revised from '**Stable**' to '**Negative**'.

**Rationale for rating reaffirmation and change in outlook to negative.**

The rating reaffirmation and change in outlook factors in subdued profitability and moderation in financial performance in FY2023 as compared to Acuite's expected levels. Further, there is estimated moderation in operating and financial performance in FY2024. The revenue is estimated to moderate to Rs.103.51 Cr. in FY2024 against Rs.132.71 Cr. in FY2023 on account of lower volumes and lower realisations. The operating profit margin moderated to 8.57 % in FY2023 from 10.42% in FY2022 primarily on account of higher material costs. However, it is estimated to improve in FY2024 to around 9.68% and further improve in FY2025 mainly due to savings from captive power generation.

The estimated deterioration in operating performance in FY2024, has resulted in lower absolute profits and cash accruals leading to moderation in key coverage indicators and strain on liquidity position. However, the support from the promoters by way of infusion of funds in the form of USL is expected to aid company in case of exigencies.

Going ahead, the ability of the company to improve its scale of operations and profitability, leading to improvements in its key coverage indicators and overall financial risk profile, and liquidity position while avoiding any significant elongations in working capital cycle will remain key monitorable.

**About the Company**

Sree Kaderi Ambal Mills Private Limited (SKAMPL) was incorporated in 1980 by Shri.A.R.Sevugan Chettiar, SKAMPL is engaged in manufacturing of variety of yarns. SKAMPL is initially started its operations with 12,428 spindles, now operating with capacity of 56,108 spindles and 11, 376 TFO drum's split with an annual capacity of ~9000 tons. Company's manufacturing plant is located at perattukottai village near karaikudi in Tamil Nadu. SKAMPL imports raw material like cotton, polyester, blent mostly from China and involved in manufacturing of 15 -20 varieties of yarns

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of Sree Kaderi Ambal Mills Private Ltd(SKAMPL)

## Key Rating Drivers

### Strengths

#### **Established track record of operations and experienced management in manufacturing of cotton yarn**

Sree Kaderi Ambal Mills Private Limited (SKAMPL) was incorporated in 1983 by Shri.A.R.Sevugan Chettiar. Company has operational track record of more than three decades in manufacturing of variety of cotton yarns. SKAMPL's longstanding relations with its existing customers and suppliers aid the company in securing repeat orders on a regular basis supported by the timely availability of raw materials. SKAMPL imports raw material like cotton, polyester, blend mostly from China through a sister concern, and involved in manufacturing of 20 varieties of yarn. SKAMPL over the last few years has been focusing on upgradation of the machinery to improve productivity and quality of yarn. Company has achieved 100% compact and carded yarn production capacity. Further, the company is also has incurred capex for solar and wind power which will reduce the power cost going forward.

The revenue of the company grew to Rs.132.71 Cr. in FY2023 from Rs.110.66 Cr. in FY2022 on account of higher volumes. However, it is estimated to moderate to Rs.103.51 Cr. in FY2024 on account of lower volumes and lower realisations. The operating profit margin moderated to 8.57 % in FY2023 from 10.42% in FY2022 primarily on account of higher material costs. It is estimated to improve in FY2024 to around 9.68% and further improve in FY2025 mainly due to savings from captive power generation.

Acuité believes that the company will benefit from established presence in textile industry and extensive experience of promoters.

### Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth, gearing and debt protection metrics. The net worth stood at Rs. 33.77 Cr. as on 31 March 2023 as against Rs. 33.25 Cr. as on 31 March 2022. There has been an adjustment of Rs.3.43 Cr. towards MAT credit during FY2023, leading to marginal increase in networth, despite net profit of Rs.3.22 Cr. The gearing levels stood at 1.61 times as on 31 March, 2023 as against 1.47 times as on 31 March, 2022. The coverage indicators stood at moderate levels, marked by interest coverage ratio (ICR) of 2.32 times in FY2023 as against 2.84 times in FY2022. The DSCR stood at 1.46 times in FY2023 against 2.10 times in FY2022. The moderation in DSCR is on account of increased interest cost and repayment obligation. It is further estimated to remain below unity in FY2024 due to lower estimated absolute operating profit and higher interest cost and repayment obligation. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.25 times as on 31 March 2023 as against 1.81 times as on 31 March, 2022. The Debt to EBITDA ratio stood moderately high at 4.33 times as on March 31 2023 against 4.23 times as on March 31 2022.

Going ahead, in view of subdued operating performance estimated in FY24, Acuite expects the financial risk profile to moderate in the near term, however, the ability of the company to improve its financial risk profile over the medium term will remain key monitorable.

### Weaknesses

#### **Moderate Working capital management**

SKAMPL's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 92 days in FY2023 as compared to 134 days in FY2022. The GCA days are mainly dominated by inventory holding period of 57 days in FY2023 as against 80 days in FY2022. The collection period stood at 22 days in FY2023 as against 18 days in FY2022. Further, the company's reliance on working capital limits is high as marked by average bank limit utilisation of ~91 percent for the last 6 months ended as of May 2024.

Acuite believes that the working capital operations of the company will remain in similar range over the near to medium term.

**Susceptible to volatility in raw material prices and foreign exchange fluctuation risk**  
SKAMPL's profitable margins are susceptible to fluctuations in the prices of major raw

materials such as domestic and imported cotton, blend and polyester. The main raw material purchased by the company is cotton. Cotton being an agricultural commodity by nature, the margins are susceptible to changes in cotton prices. Cotton availability and price of the same is highly dependent on agro-climatic conditions. Despite the prevalence of Minimum Support Price (MSP), the purchase price depends on the prevailing demand-supply situation, which limits bargaining power with the suppliers as well. As a result, the business is exposed to fluctuations in the foreign exchange rate. Acuité believes that SKAMPL will be able to maintain its operating profitability around existing levels notwithstanding the volatility in prices of its key inputs, on the back of its established position in the domestic markets.

#### **Rating Sensitivities**

Growth in revenue along with improvement in profitability margin and overall financial risk profile.

Any significant elongations in working capital cycle leading to moderation in financial risk profile and stretch in liquidity position

#### **Liquidity Position**

##### **Adequate**

SKAMPL's liquidity is adequate marked by generation of healthy net cash accruals to its maturing debt obligations in FY2023, albeit low level of unencumbered cash and bank balance and higher reliance on bank limits. SKAMPL has generated cash accruals of Rs.7.15 Cr. in FY2023 as against its maturing debt obligation of Rs.3.17 Cr. for the same period. However, going ahead in FY2024, it is estimated to generate lower cash accruals against maturing repayment obligations. The support from promoters by way of infusion of interest free USL is expected to cover the shortfall. The company's working capital is moderate as marked by Gross Current Asset (GCA) of 92 days as on 31 March, 2023, the reliance on working capital limits is high. The current ratio stood average at 1.02 times as on 31 March 31 2023 against 1.58 times in the previous year. The company maintained low unencumbered cash and bank balances of Rs.0.07 Cr. as on 31 March, 2023 against Rs.0.05 Cr in previous year. Going ahead, the liquidity is estimated to remain adequate with support from infusion of funds by promoters in case of any exigencies.

#### **Outlook: Negative**

Acuité believes that SKAMPL will maintain 'Negative' outlook over the medium term due to estimated subdued operating performance in FY2024 and continuation of similar trend in Q1FY25, which has led to moderation in the overall financial risk profile, key debt coverage indicators, and liquidity position. The rating may be downgraded, in case the company registers lower than expected level of operating revenue and profitability in FY2025 leading to further deterioration in the financial risk profile and strain on liquidity position.

The outlook may be revised to 'Stable' if the company is able to achieve growth in revenues and profitability leading to improvement in overall financial risk profile, key coverage indicators and liquidity position while avoiding significant elongation in the working capital cycle.

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	132.71	110.66
PAT	Rs. Cr.	3.22	4.58
PAT Margin	(%)	2.43	4.14
Total Debt/Tangible Net Worth	Times	1.61	1.47
PBDIT/Interest	Times	2.32	2.84

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Mar 2023	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Assigned)
	Proposed Letter of Credit	Short Term	1.80	ACUITE A3+ (Assigned)
	Proposed Long Term Loan	Long Term	8.97	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	4.23	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A3+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.80	ACUITE A3+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.97	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.23	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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