

Press Release
Sreekumaar Texind Corporation

February 22, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs.7.50 Cr.
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the short term rating to '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.7.50 cr. bank facilities of Sreekumaar Texind Corporation (STC).

The rating downgrade is in view of significant capital withdrawal by partners in FY2018, declining revenues and subdued debt protection metrics.

The Tamil Nadu-based, Sreekumaar Texind Corporation (STC) is a partnership firm established in the year 1998. The partners are Mr. M.A. Ramaswamy, Mr. R. Senthil Kumar, Mr. R. Akilamani, Ms. S. Priyadharsini and Ms. R. Umamaheswari. The firm is engaged in manufacturing and exporting garments mainly Shirts for Men (65%), Women (30%) and Kids (5%). STC exports majorly to USA. the firm has 3 manufacturing units with combined installed capacity of producing 60000 pieces per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the STC to arrive at this rating.

Key Rating Drivers

Strengths

• Long track record of operations & experienced promoters

The firm is operational since 1998 being promoted by five partners who possess experience of over two decades in the textile industry. Hence, long track records of operations and vast experience of management has helped the company develop healthy relationships with various reputed customers and suppliers.

Acuité believes that STC will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

• Fluctuating revenue profile

STC registered fluctuating revenue trend. The same stood at Rs.46.86 crore in FY2018 declined from Rs.61.57 crore in FY2017. The decline was on account of less number of orders received as well as firm is facing intense competition from other countries like Bangladesh and Vietnam.

• Average financial risk profile

STC has average financial risk profile marked by low net worth and average debt protection metrics. The tangible net worth deteriorated to Rs.4.86 crore as on 31 March 2018 as against Rs.11.67 crore as on 31 March 2017. The partners have withdrawn capital of about Rs.6.81 crore. The gearing deteriorated to 2.01 times as on 31 March 2018 as against 1.01 times as on 31 March 2017. The debt of Rs.9.74 crore as on 31 March 2018 consists of working capital borrowings of Rs.9.41 crore and vehicle loan of Rs.0.32 crore. Interest Coverage Ratio (ICR) stood at 2.12 times in FY2018 as against 4.26 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.66 times as on 31 March 2018 as against 1.29 times as on 31 March 2017.

- **Capital withdrawal risk**

STC is exposed to risk of capital withdrawal risk considering its partnership constitution.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	46.86	61.57	53.49
EBITDA	Rs. Cr.	2.40	3.98	4.05
PAT	Rs. Cr.	(0.07)	1.52	1.60
EBITDA Margin	(%)	5.11	6.47	7.56
PAT Margin	(%)	(0.16)	2.48	3.00
ROCE	(%)	9.98	18.82	41.42
Total Debt/Tangible Net Worth	Times	2.01	1.01	0.49
PBDIT/Interest	Times	2.12	4.26	5.54
Total Debt/PBDIT	Times	3.58	2.52	1.19
Gross Current Assets (Days)	Days	97	125	43

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
14-Dec-2018	Bills Discounting	Short Term	INR 7.50	ACUITE A4+ (Indicative)
03-Mar-2016	Bills Discounting	Short Term	INR 7.50	ACUITE A4+ (Upgraded from ACUITE A4)
19-Feb-2015	Bills Discounting	Short Term	INR 7.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Downgraded from ACUITE A4+)

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About Acuité Ratings & Research:

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