

Press Release

Prassanna Spinning Mills Private Limited

June 04, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 96.54 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.96.54 crore bank facilities of Prassanna Spinning Mills Private Limited (PSMP). The outlook is '**Stable**'. The downgrade reflects losses incurred by the company over the period.

PSMP, incorporated in 2006, is a Tamil Nadu-based company promoted by Mrs. R. Geetha, Mr. S. D. Rathinasabapathy and Mr. P. S. Veluswamy. The company is engaged in the manufacture of cotton yarn and fabric at its unit in Dindigul (Tamil Nadu) which has an installed capacity of 42,384 spindles. In FY2017-18, the company manufactured ~118 lakh kilograms of cotton yarn. PSMP outsources manufacturing of fabric. While the company generates around 80 percent of revenues from sale of cotton yarn, the fabric sale accounts for 20 percent. The overall operations are managed by Mr. S. D. Rathinasabapathy.

Key Rating Drivers

Strengths

• Experienced management

PSMPL is promoted by Mr. P. S. Veluswamy, who has experience of around three decades in the textile industry. He is the Promoter and Founder of Sri Shanmugavel Group of Mills which consists of around 11 textile companies. Mr. S. D. Rathinasabapathy (Managing Director) having an experience of around two decades, manages the day to day operations of the business.

• Revenue growth

Revenue of the company grew by ~37 percent in FY2017 with revenue of Rs.230.80 crore in FY2017 as compared to Rs.167.95 crore for FY2016. This was mainly due to expansion in capacity of the plant. Further, the company has registered revenue to ~Rs.248.00 crore for FY2018 (Provisional).

Weaknesses

• Weak financial risk profile

The net worth stood at a moderate level of around Rs.35.29 crore as on March 31, 2017, as against Rs. 40.39 in FY2015. The gearing reduced to 1.98 times in FY2017 from 1.65 times in FY2016. The total debt of Rs.69.74 crore as on March 31, 2017 includes term loan of Rs.19.48 crore, unsecured loan from Directors of Rs.7.16 crore and short term borrowing of Rs.43.10 crore. The total outside liabilities to total net worth 3.05 times in FY2017 as against 2.06 times in FY2016 and 1.73 times in FY2015.

• Reducing profit trend

Though the company registered an increase in revenue in FY2017, EBITA margins reduced to 4.53 percent in FY2017 from 7.56 percent in FY2015. Further, the company has registered PAT loss in FY2018 in spite of an increase in revenue (as per provisional figures).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PSMPL.

Outlook: Stable

Acuite believes that the outlook on PSMPL will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the revenues and profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	230.80	167.95	181.90
EBITDA	Rs. Cr.	10.47	7.74	13.75
PAT	Rs. Cr.	0.80	(0.20)	3.38
EBITDA Margin	(%)	4.53	4.61	7.56
PAT Margin	(%)	0.35	(0.12)	1.86
ROCE	(%)	6.30	3.86	10.55
Total Debt/Tangible Net Worth	Times	1.98	1.65	1.25
PBDIT/Interest	Times	1.94	1.14	2.23
Total Debt/PBDIT	Times	6.20	7.37	3.61
Gross Current Assets (Days)	Days	122	93	140

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

None

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Any other information

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
04-May-2017	Cash Credit	Long Term	65.00 (enhanced from Rs.45.00 crore)	ACUITE BBB-*/Stable (Reaffirmed)
	Term Loan	Long Term	19.94	ACUITE BBB-*/Stable (Reaffirmed)
	Proposed	Long Term	11.60	ACUITE BBB-*/Stable (Reaffirmed)

18- Feb-2016	Cash Credit	Long Term	45.00 (enhanced from Rs.30.00 crore)	ACUITE BBB-*/Stable (Reaffirmed)
	Term Loan	Long Term	12.89	ACUITE BBB-*/Stable (Reaffirmed)
	Term Loan	Long Term	18.65	ACUITE BBB-*/Stable (Assigned)
11- Feb-2015	Cash Credit	Long Term	30.00	ACUITE BBB-*/Stable (Reaffirmed)
	Term Loan	Long Term	12.89	ACUITE BBB-*/Stable (Reaffirmed)

* Past rating rationales carry the prefix SMERA to the rating to reflect the earlier name.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE BB+ / Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	19.94	ACUITE BB+ / Stable (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.60	ACUITE BB+ / Stable (Downgraded)

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About Acuité Ratings & Research:

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