

January 30, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.00	SMERA B-/Stable (Assigned)
Term Loan	20.47	SMERA B-/Stable (Assigned)
Letter of Credit	3.00	SMERA A4 (Assigned)
Bank Guarantee	0.60	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.36.07 crore bank facilities of The Tuticorin Spinning Mills Limited (TTSML). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations in a highly competitive and fragmented yarn manufacturing industry. The ratings are also constrained by the company's high leverage, accumulated losses, working capital-intensive operations and susceptibility to volatility in raw material prices. However, the ratings are supported by the company's long track of operations and experienced management.

TTSML, incorporated in 1946, is a Tuticorin-based company engaged in manufacturing of cotton yarn. TTSML has a modest operating scale with revenues of Rs.33.22 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the cotton yarn manufacturing industry.

TTSML has weak debt protection metrics as reflected in low net worth of Rs.4.08 crore and high leverage of 7.84 times as on March 31, 2013. The company has accumulated losses of Rs.1.68 crore (as on March 31, 2013) mainly due to net loss of Rs.9.00 crore incurred in FY2011-12. Further, the company's net profit of Rs.0.01 crore in FY2012-13 is largely supported by non-operating income of Rs.0.10 crore.

TTSML's operations are working capital-intensive. The company's working capital cycle spans around 100 days in FY2012-13. TTSML's profit margins are susceptible to volatility in raw cotton prices.

TTSML benefits from its experienced management. Mr. G. Vettivel, director of TTSML, has around two decades of experience in the cotton yarn manufacturing industry.

Outlook: Stable

SMERA believes the outlook on TTSML's rated facilities will remain stable over the medium term on account of the company's experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers a substantial improvement in its

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The Tuticorin Spinning Mills Limited (TTSML)

Rating
Rationale

scale of operations, operating profit margins and leverage. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intense competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of larger-than-envisioned debt funded capital expenditure.

About the company

TTSML, incorporated in 1946, is a Tuticorin-based company promoted by Mr. G. Vettivel. TTSML is engaged in manufacturing of cotton yarn. The company has a manufacturing unit in Tuticorin (Tamil Nadu), with an installed capacity of ~27,424 spindles.

For FY2012-13, TTSML reported net profit of Rs.0.01 crore on operating income of Rs.39.25 crore, as compared with net loss of Rs.9.00 crore on operating income of Rs.28.08 crore for FY2011-12. TTSML's net worth stood at Rs.4.08 crore as on March 31, 2013, as compared with Rs.4.07 crore a year earlier.

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