

May 26, 2015

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

SMERA has reaffirmed the ratings of '**SMERA B-/Stable/SMERA A4**' on the Rs.36.07 crore bank facilities of The Tuticorin Spinning Mills Limited (TTSML). The ratings remain constrained by the company's modest-scale operations and weak financial risk profile. The ratings are also constrained by the susceptibility of the company's profit margins to competitive pressures and raw material price volatility. However, the ratings are supported by the company's established operations and experienced management.

Update

TTSML reported revenue of Rs.48.81 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.39.52 crore in FY2012-13. The company registered sales of ~Rs.42.36 crore (provisional) in FY2014-15. TTSML's operating profit margin declined from 17.88 per cent in FY2012-13 to 7.17 per cent in FY2013-14. The company has incurred net loss of Rs.3.84 crore in FY2013-14. TTSML's accumulated loss stood at Rs.5.52 crore as on March 31, 2014, as compared with Rs.1.68 crore a year earlier.

TTSML has a highly leveraged capital structure with total debt of Rs.31.16 crore, as against net worth of Rs.0.26 crore as on March 31, 2014. The company's interest coverage ratio declined from 1.82 times in FY2012-13 to 0.91 times in FY2013-14.

Outlook: Stable

TTSML's rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers sustained growth in earnings while achieving improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues and profit margins, or in case of deterioration in the company's capital structure.

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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 factory unit in Tuticorin (Tamil Nadu), with installed capacity of ~27,424 spindles.

For FY2013–14, TTSML reported net loss of Rs.3.84 crore on operating income of Rs.48.81 crore, as compared with profit after tax of Rs.0.01 crore on operating income of Rs.39.52 crore in FY2012–13. The company's net worth stood at Rs.0.26 crore as on March 31, 2014, as compared with Rs.4.08 crore a year earlier.

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