



Sree Satyanarayana Spinning Mills Limited (SSSML)

*Rating
Rationale*

SMERA RATINGS LIMITED

April 01, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00 (enhanced from Rs.2.50 Crore)	SMERA BBB/Stable (Reaffirmed)
Term Loan	13.82 (revised from Rs.14.00 Crore)	SMERA BBB/Stable (Reaffirmed)
Bank Guarantee	0.25	SMERA A2 (Reaffirmed)
Letter of Credit	1.00	SMERA A2 (Reaffirmed)
Credit Exposure Limit	0.01	SMERA A2 (Assigned)

SMERA has reaffirmed the long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short-term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs.23.08 crore bank facilities of Sree Satyanarayana Spinning Mills Limited (SSSML). The outlook is '**Stable**'. The ratings are supported by the company's long operational track record, experienced management and reputed customer base. The ratings also draw support from the comfortable financial risk profile and liquidity position. However, the ratings are constrained by the moderate scale of operations in a highly competitive cotton yarn industry and susceptibility of profitability to volatility in raw material prices.

Update

SSSML reported revenue of Rs.58.78 crore in FY2014- 15 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.61.06 crore in FY2013-14. The company registered revenues of around Rs.63 crore during FY2015-16 (provisional). The company's tangible net worth stood at Rs.39.38 crore as on March 31, 2015 as compared with Rs.35.58 crore a year earlier. The debt-equity ratio stood at 0.18 times as on March 31, 2015. The interest coverage ratio stood at 33.68 times in FY2014-15.

SSSML expanded its capacity from 40,000 spindles to 50,416 spindles in FY2015. The operations with the additional spindles commenced from October 2015.

Outlook: Stable

SMERA believes the outlook on SSSML's rated facilities will continue to remain stable over the medium term. The outlook may be revised to 'Negative' in case of a sharp deterioration in the company's profit margins or capital structure. Conversely, the outlook may be revised to 'Positive' if the company demonstrates resilient performance while maintaining stable profit margins.

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Rating Sensitivity Factors

- Expanding scale of operations
- Sustained improvement in revenues and profitability

About the Company

The Andhra Pradesh-based SSSML incorporated in the year 1962, was promoted by Mr. Mullapudi Harishchandra Prasad and Mr. Yelamarthi Narayana Rao Chowdhary. The company is engaged in the manufacture of cotton yarn at Tanuku in Andhra Pradesh.

The company reported net profit of Rs.4.31 crore on total income of Rs.58.78 crore in FY2014-15 as compared with net profit of Rs.8.19 crore on total income of Rs.61.06 crore in FY2013-14. The company's net worth stood at Rs.39.38 crore as on March 31, 2015, as compared with Rs.35.58 crore a year earlier.

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