

Super Spinning Mills Limited

November 27, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.35 (Reduced from 28.15)	CARE BB+; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB-; Stable
Long Term / Short Term Bank Facilities	-	-	Withdrawn
Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of Super Spinning Mills Limited (SSML) as 'ISSUER NOT COOPERATING'. The company has now cooperated by providing the necessary information for undertaking the review.

The revision in rating assigned to the bank facility of Super Spinning Mills Limited (SSML) is constrained by the tight liquidity arising from losses accumulated from discontinued spinning operations, high tenant concentration risk and high market risk pertaining to leasing of properties. The rating, however, derives strength from long and established relationship with tenants, experience of the promoters, comfortable leverage structure and long rental agreement tenures with lock in clauses to support revenue visibility.

CARE Ratings has withdrawn the outstanding ratings of CARE A4 assigned to the short-term bank facilities of SSML with immediate effect. The above action has been taken as there are no dues outstanding against the above-mentioned facilities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to diversify the tenant profile.
- Adequate coverage of rental receipts to cover existing debt with Total debt/ rental receipts below 1.5x.
- Ability to improve total revenue above Rs.15.0 crore.

Negative factors

- Any drop in the occupancy rate resulting in decline in rental income below Rs.3.0 crore.
- Any delay in leasing Super B unit leading to stretched liquidity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the ability to sustain operational performance derived from healthy occupancy levels and limited counterparty credit risk owing to its long association with reputed tenants.

Detailed description of key rating drivers:

Key weaknesses

Tenant concentration risk

The tenant profile of SSML is concentrated with the top four tenants occupying about 89% of total leased out area and contribute about 83% of total rent receipts of the company. The top two tenants are from auto components industry, whose fortunes are linked to cyclical demand from Automobile sector.

Losses from discontinued spinning operations

SSML discontinued the spinning operations in August 2023 since the division incurred continued losses on the back of industry slowdown. The net loss in FY24 stood at Rs.20.90 crore (PY: 19.42 crore). The company has sold majority of spinning assets as on October 31, 2024 and reduced the net loss incurred in H1FY25 to Rs.0.46 crore.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Market risk pertaining to leasing of properties

SSML is exposed to competition from various leased facilities operating in the surrounding areas. The company remains exposed to the risk of tenants moving out once the lock-in period before the maturity of LRD loan facility and delay in finding tenant for the unoccupied space. The real estate - leasing segment has witnessed increasing competition with the entry of institutional players and setting up of rental projects across various cities.

Key strengths

Experience of the promoters

SSML belongs to SARA ELGI group, in Coimbatore. SSML commenced operations in 1962 and has rented out more than 2.5 lakh square feet as on October 31, 2024, with majority of places in Andhra Pradesh. The board of directors comprises of experienced industrialists, with vast experience in textile, real estate and other industries.

Comfortable capital structure

The capital structure stood comfortable with overall gearing at 0.35x as on March 31, 2024 (PY: 0.46x) owing to comfortable networth base. The company has closed all of its term loans except LRD facility with the proceedings from sale of spinning assets and other land properties. The leverage is expected to remain comfortable in medium term as the company has no capex plans.

Comfortable revenue visibility

The revenue visibility is comfortable supported by full occupancy rate. The company has leased out three of its premises, namely Super Sara (erstwhile spinning unit), warehouse in another erstwhile spinning unit, and its corporate office. The lease tenure of the tenants are about 10 years with lock-in period of around 3-5 years. Also the lease properties in corporate office is located in the prime location with nearby airport reachable in 8 KM.

Liquidity: Adequate

The liquidity is adequate characterised by adequate rent receipts to cover the repayment obligations of the LRD loans. The company has created escrow account, and the debt repayments of LRD loans are met through waterfall mechanism of rent receipts. The free cash balance as on March 31, 2024 is Rs.7.37 crore. The company also maintains a DSRA account covering 3 months of interest and principle.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Rating methodology for Debt backed by lease rentals](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Real Estate related services

Super Spinning Mills Limited (SSML) incorporated in 1962. Till August 2023, the company was primarily engaged in cotton yarn spinning, with a manufacturing unit in Andhra Pradesh, post which the company discontinued its spinning division and currently generates income by leasing out its properties. As on October 31, 2024, the company has leased properties of 2.92 lsf in Hindupur and Coimbatore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	5.55	6.95	3.30
PBILDT	5.39	5.74	2.12
PAT*	(19.42)	(20.90)	(0.46)
Overall gearing (times)	0.46	0.35	0.28
Interest coverage (times)	2.96	2.94	2.08

A: Audited UA: Unaudited; Note: these are latest available financial results

*include losses from discontinued spinning business

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2031	16.35	CARE BB+; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	16.35	CARE BB+; Stable	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (23-Oct-24)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (03-Aug-23)	1)CARE BB+; Stable (24-Jun-22)	1)CARE BB; Stable (16-Jul-21)
2	Fund-based - ST-Bill Discounting/Bills Purchasing	ST	-	-	-	-	-	1)Withdrawn (16-Jul-21)
3	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING * (23-Oct-24)	1)CARE A4; ISSUER NOT COOPERATING * (03-Aug-23)	1)CARE A4+ (24-Jun-22)	1)CARE A4+ (16-Jul-21)
4	Fund-based - LT/ST-CC/PC/Bill Discounting	LT/ST	-	-	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING * (23-Oct-24)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING * (03-Aug-23)	1)CARE BB+; Stable / CARE A4+ (24-Jun-22)	1)CARE BB; Stable / CARE A4+ (16-Jul-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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