

Super Spinning Mills Limited

June 24, 2022

Ratings

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	28.15 (Enhanced from 24.97)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Long Term / Short Term Bank Facilities	12.00	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus)	Revised from CARE BB; Stable / CARE A4+ (Double B; Outlook: Stable / A Four Plus)
Short Term Bank Facilities	3.00	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	43.15 (₹ Forty-Three Crore and Fifteen Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Super Spinning Mills Limited (SSML) factor in growth in scale of operations with improved profitability and debt coverage metrics during FY22 (refers to the period April 1 to March 31). The ratings continue to derive strength from the vast experience of the promoters, established track record of the company and comfortable capital structure. The ratings however are constrained by the moderate scale of operations and exposure to fluctuation in raw material prices and cyclical nature of the textile industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Ability to scale up operations above Rs.150 crores with greater product diversification.
- Ability to effectively utilize the installed capacity and improve profitability with PBILDT margin over 12% on sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any large debt funded capex leading to moderation in overall gearing above 2x.
- Any drop in the occupancy or rentals on the leased properties.

Detailed description of the key rating drivers

Key rating strengths

Vast experience of the promoters in textile industry and established track record of the company

SSML belongs to SARA ELGI group, in Coimbatore. SSML commenced operations in 1962 and has an installed capacity of 34,960 spindles as on March 31, 2022, in Andhra Pradesh. The board of directors comprises of experienced industrialists, with more than three decades of experience in textile and other industries.

Improved profitability margin in FY22

SSML had stopped the production of its non-viable unit since the start of FY21. The PBILDT margin has improved from 3.09% in FY21 to 9.71% in FY22 due to higher yarn realization and reduction in overhead costs. SSML reported PAT of Rs.0.85 crore in FY22 as against net losses in the previous years

Comfortable capital structure in FY22

SSML has reduced its debt levels through monetization of its freehold land and sale of a unit over the past three years. During FY22, the company had received the part of proceedings from the sale of above-mentioned unit for total consideration of Rs.38.0 crore over last two years. The proceeds were used to lower the working capital borrowings and creditors. The capital structure continued to remain comfortable with overall gearing of 0.32x (PY: 0.32x) as on March 31, 2022. The company reported cash profit of Rs.2.36 crore in FY22 as against cash losses in the past. The interest coverage improved from 0.24 times in FY21 to 2.32 times in FY22.

Key rating weaknesses

Moderate scale of operations, however, improved in FY22

SSML primarily manufactures cotton yarn since 1962. The scale of operations of the company continued to remain moderate with total operating income of Rs.93.45 crore in FY22, albeit improved from Rs. 48.88 crore in FY21. The operating income increased on the back of improved realization of cotton yarn and optimum utilization of manufacturing facilities.

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

Volatility in raw material prices

The profitability of spinning mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. The cotton being the major raw material of spinning mills, movement in cotton prices without parallel movement in yarn prices impact the profitability of the spinning mills. The cotton textile industry is inherently prone to the volatility in cotton and yarn prices.

Liquidity: Stretched

The liquidity is stretched marked by tightly matched accruals against the repayment obligations and moderate cash balance of Rs.3.67 crore as on March 31, 2022. The company has incurred losses in the past and was supported by infusion of unsecured loans from promoters and monetization of assets. SSML has moderate current ratio of 0.6x as on March 31, 2022 due to relatively higher current maturities of term loans and expenses payable. SSML has total working capital limit of Rs.12.0 crores and the average utilization of the same stood at 57.6%. SSML has availed covid-19 emergency loans of Rs. 2.27 crore in FY22 which is used towards working capital requirements.

Industry Outlook

India is the largest producer of Cotton Yarn in the world with USD 3.5 billion worth of cotton yarn exported in 2021-22. India's current spindle capacity is 56.6 million spindles most of which are dedicated to producing cotton yarns only. Overall the Indian spinning industry is estimated to grow at a CAGR of 6.3%. However, the rising cotton prices of this season have become a subject of concern to the domestic spinning industry as the mills are facing not only a spike in raw material prices but also a shortage in availability. Government of India (GoI) announced remission rates for RoDTEP scheme which also benefited the spinning companies in terms of recognition of revenue during FY22. According to the scheme, all the cotton-based textile products have received favourable rates under RoDTEP.

Analytical approach

Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

About the company

Super Spinning Mills Limited (SSML) incorporated in 1962, is primarily engaged in cotton yarn spinning, with a manufacturing unit in the State of Andhra Pradesh. SSML has an aggregate installed capacity of 34,960 as on March 31, 2022. SSML manufactures cotton yarn majorly in the higher count range of 40s to 80s.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	149.61	48.88	93.45
PBILDT	-5.03	1.51	9.07
PAT	-11.30	-2.42	0.85
Overall gearing (times)	0.32	0.32	0.32
Interest coverage (times)	-0.51	0.24	2.32

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2031	28.15	CARE BB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	3.00	CARE A4+
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	12.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	28.15	CARE BB+; Stable	-	1)CARE BB; Stable (16-Jul-21)	1)CARE BB-; Stable (08-Sep-20)	1)CARE BB-; Stable (27-Aug-19)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	1)Withdrawn (16-Jul-21)	1)CARE A4 (08-Sep-20)	1)CARE A4 (27-Aug-19)
3	Fund-based - ST-Foreign Bill Discounting	ST	-	-	-	-	-	1)Withdrawn (27-Aug-19)
4	Fund-based - ST-Foreign Bill Discounting	ST	-	-	-	-	-	1)Withdrawn (27-Aug-19)
5	Non-fund-based - ST-BG/LC	ST	3.00	CARE A4+	-	1)CARE A4+ (16-Jul-21)	1)CARE A4 (08-Sep-20)	1)CARE A4 (27-Aug-19)
6	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	12.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB; Stable / CARE A4+ (16-Jul-21)	1)CARE BB-; Stable / CARE A4 (08-Sep-20)	1)CARE BB-; Stable / CARE A4 (27-Aug-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of 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: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

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

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