

Erode Sri Palani Murugan Spinning Mills Private Limited
 January 10, 2020

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long -term Bank Facilities	14.67	CARE BB-;Stable : ISSUER NOT COOPERATING* (Double B minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Short-Term Bank Facilities	0.33	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total Facilities	15.00 (Rupees Fifteen crore only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Erode Sri Palani Murugan Spinning Mills Private Limited (ESMPL) to monitor the rating vide e-mail communications/ letters dated July 03, 2019 , September 04, 2019, October 01, 2019 , and December 20, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of publicly available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Erode Sri Palani Murugan Spinning Mills Private Limited's bank facilities will now be denoted as **CARE BB-; Stable and CARE A4 ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

The rating assigned to the bank facilities of Erode Sri Palani Murugan Spinning Mills Private Limited (ESMPL continues to be tempered by small scale of operation with moderate net worth base, working capital intensive nature of operation and with presence of highly fragmented and competitive business segment due to presence of numerous players associated with stable outlook of textile industry.

The rating also factors in decline in profitability margin, Satisfactory capital structure and debt coverage indicators (refers to the period April-March)

The rating, however, continues Long track record of the company and experienced promoters in textile industry.

Key Rating Weakness**Small Scale of operation with moderate net worth base**

The scale of operation of the company stood small marked by total operating income which has marginally declined from Rs.33.39 crore in FY18 to Rs.31.04 crore in FY19(Prov.). However, the company's size of operation remained moderate marked by net worth base of Rs.13.09 crore in FY18 marginally increased to Rs. 13.92 crore in FY19(prov.).

Decline in profitability margins

The PBILD margin of the company had marginally declined from 11.87% in FY18 to 11.42% in FY19(Prov.). Further the PAT margin had declined by 5 bps in FY19(Prov.).

Working capital intensive nature of operation

The operating cycle of the company though improved but stood elongated at 114 days in FY19(Prov.) as against 150 days in FY18.

Highly fragmented and competitive business segment due to presence of numerous players

The company is engaged into a fragmented business segment and competitive industry. The market consists of several small to medium-sized company's that compete with each other along with several large enterprises..

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

*Issuer did not cooperate; Based on best available information

Key Rating Strengths

Long track record of the company and experience of the promoters for more than one decade in textile industry

Erode Sri Palani Murugan Spinning Mills Private Limited (ESPMSP) was promoted by Mr. E. Palanisamy (Managing Director) and others. Mr.E.Palanisamy has more than 20 years of experience in textile industry. Mr.S.Palanisamy (Director), Mr.P.Pramod Kumar (Director), Mr.M.Kandasamy (Director) and Mr.R.Sivalingam (Director) have more than 15 years of experience in textile industry. Mr.P.Pavathal (Director) has more than 10 years of experience in textile industry. Due to long experience of the promoters, they were able to establish long term relationship with clientele which will help in growing the business in near future.

Satisfactory capital structure and debt coverage indicators

The capital structure of the company marked by overall gearing stood satisfactory at 1.12x as of March 31, 2018 and marginally improved to 1.02x as of March 31, 2019 (prov.). The debt coverage indicators marked by total debt/GCA stood satisfactory at 6.46x in FY19(Prov.) marginally improved from 6.47x in FY18. Furthermore, the interest coverage ratio remained satisfactory at 2.64x in FY19(Prov.) despite decline from 2.80x in FY18.

Stable outlook of Textile industry

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth. The Government of India has started promotion of its 'India Handloom' initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products. The Revised Restructured Technology Up gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5 per cent interest reimbursement and 10 per cent capital subsidy in addition to 5 per cent interest reimbursement also provided to the specified technical textile machinery under RRTUFS.

Liquidity -Stretched

The current ratio of the company had deteriorated from 1.01x as of March 31, 2018 to 0.99x as of March 31, 2019(Prov.) and remained stretched. The cash and cash equivalents stood at Rs.0.10 crore as on March 31, 2019(Prov.) as against Rs.0.15 crore as on March 31, 2018. For the 12 months ended August 31, 2019, the unutilized working capital stood at 10 %.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning 'outlook' and 'credit watch'](#)
[Rating Methodology – Manufacturing Companies](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

Erode Sri Palani Murugan Spinning Mills Private Limited (ESMPL) is a Tamil Nadu based company, which was incorporated in 2006 and promoted by Mr. E. Palanisamy and others as a Private Limited company. The company is engaged in manufacturing of cotton yarn (30-46 counts) with a total installed capacity of 13,824 spindles at its manufacturing unit located at Erode, Tamil Nadu. The manufacturing process includes ginning of raw cotton, blending, carding, combing, drawing out, twisting and spinning. The company is also engaged in manufacturing of cloth at its weaving mill from rayon yarn.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Prov.)
Total operating income	33.39	31.04
PBILDT	3.96	3.54
PAT	0.90	0.82
Overall gearing (times)	1.12	1.02
Interest coverage (times)	2.80	2.64

A: Audited, Prov :Provisional

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified Erode Sri Palani Murugan Spinning Mills Private Limited as "Not Cooperating" vide its press release dated June 20, 2019.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	4.17	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.33	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	10.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	4.17	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB-; Stable (03-Oct-19)	1)CARE BB; Stable (10-Oct-18)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	0.33	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (03-Oct-19)	1)CARE A4 (10-Oct-18)	-	-
3.	Fund-based - LT-Cash Credit	LT	10.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB-; Stable (03-Oct-19)	1)CARE BB; Stable (10-Oct-18)	-	-

**Issuer did not cooperate; Based on best available information*

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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