

Super Spinning Mills Limited

August 27, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	6.47 (reduced from 12.35)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	31.00 (reduced from 48.40)	CARE A4 (A Four)	Reaffirmed
Long/short-term Bank Facilities	38.71 (reduced from 63.21)	CARE BB-; Stable/CARE A4 (Double B Minus; Outlook: Stable/ A Four)	Reaffirmed
Total Facilities	76.18 (Rupees Seventy Six crore and Eighteen Lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Super Spinning Mills Limited continue to draw strength from the company's long track record of operations, long-standing experience of the promoters in the textile industry and SSML'S presence in finer counts & specialized yarn segment. The ratings continue to be constrained by decline in operational and financial performance with net losses reported in the past years, vulnerability of profit margins to volatility in cotton/yarn prices and poor liquidity. Going forward, ability of the company to scale up operations, improve profitability and generate adequate cash accruals while maintains capital structure and managing working capital efficiently would be a key rating sensitivity.

Detailed description of key rating drivers

Key Rating Weaknesses

Declining Scale of Operations with weak financial risk profile: The Company's Operating Income has declined by 19.5 % in FY19 from Rs.261.6 crore in FY18 to Rs.210.98 crore in FY19 due to lower domestic orders and closure of manufacturing units. With higher interest costs, the company reported net loss of Rs.14.4 crore in FY19 (PY: Net loss of Rs.21.6 crore). The interest coverage (PBILDT/ Interest) stood weak at 0.43x in FY19. During Q1FY20 (Prov.), the company reported net loss of Rs.8.7 crore on total income of Rs.43.0 crore.

Vulnerability of margins to 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.

Liquidity- Poor: SSML's liquidity is constrained by insufficient accruals compared to its repayment obligations. This could constrain the ability of the company to repay its debt obligations on a timely basis. The current ratio of the company has been below unity for the past few years due to higher reliance on working capital borrowings. The company had sanctioned working capital limits of Rs.38 crore and the average utilization stood at 90% for 12 months ended April 2019. SSML has modest cash balance of Rs. 0.14 crore as on March 31, 2019.

Key rating Strengths

Established track record of the company: SSML belongs to SARA ELGI group, a well-known industrial group in Coimbatore. SSML, started with an initial capacity of 12,000 spindles, has gradually increased the spindle capacity and has an installed capacity of 1.10 Lakh spindles as on March 31, 2019, spread across two manufacturing units. The board of directors comprises of experienced industrialists, with three to four decades of experience in textile/ other industries.

Established presence in finer counts and specialized yarns: SSML has an established presence in the production of fine yarn (count range more than 60s) and compact yarn which is used in the production of premium shirting material and dhotis. More than 50% of the company's produce is compact yarn. During FY19, the company diversified its product portfolio by manufacturing Polyester-blended yarn in one of its units with the capacity of 54,000 spindles while the other unit continues with regular cotton manufacturing and exports with the capacity of 56,000 spindles.

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

Analytical approach:

Standalone

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short term instruments](#)[Financial ratios – Non-Financial Sector](#)[CARE'S Methodology for Manufacturing Companies](#)[Rating Methodology-Cotton Yarn](#)**About the Company**

Super Spinning Mills Limited (SSML) was incorporated in 1962 by Coimbatore based ELGI group, which has interests in textiles, building materials, compressors, textile machinery, etc. The company is primarily engaged in cotton yarn spinning, with two manufacturing units in the State of Andhra Pradesh (Hindupur). SSML has an aggregate installed capacity of 1.10 Lakhs spindles as on March 31, 2019. SSML manufactures cotton yarn majorly in the higher count range of 60s to 120s.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	261.6	210.9
PBILDT	(3.0)	2.4
PAT	(21.6)	(14.4)
Overall gearing (times)	0.55	0.43
Interest coverage (times)	(0.20)	0.19

A-Audited;

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for 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	-	-	December 2021	6.47	CARE BB-; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	6.00	CARE A4
Fund-based - ST-Foreign Bill Discounting	-	-	-	0.00	Withdrawn
Fund-based - ST-Foreign Bill Discounting	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	25.00	CARE A4
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	38.71	CARE BB-; Stable / CARE A4

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	6.47	CARE BB-; Stable	-	1)CARE BB-; Stable (27-Dec-18)	1)CARE BB; Stable (14-Nov-17)	1)CARE BB+ (12-Aug-16)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	6.00	CARE A4	-	1)CARE A4 (27-Dec-18)	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)
3.	Fund-based - ST-Foreign Bill Discounting	ST	-	-	-	1)CARE A4 (27-Dec-18)	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)
4.	Fund-based - ST-Foreign Bill Discounting	ST	-	-	-	1)CARE A4 (27-Dec-18)	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)
5.	Non-fund-based - ST-BG/LC	ST	25.00	CARE A4	-	1)CARE A4 (27-Dec-18)	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)
6.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	38.71	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (27-Dec-18)	1)CARE BB; Stable / CARE A4 (14-Nov-17)	1)CARE BB+ / CARE A4+ (12-Aug-16)

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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