

Super Spinning Mills Limited

December 27, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	12.35 (reduced from 28.32)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Short-term Bank Facilities	48.40	CARE A4 (A Four)	Reaffirmed
Long/Short-term Bank Facilities	63.21	CARE BB-; Stable /CARE A4 (Double B Minus; Outlook: Stable/ A Four)	Revised from CARE BB; Stable/CARE A4 (Double B ; Outlook : Stable/ A Four)
Total Facilities	123.96 (Rupees One Hundred and Twenty Three crore and Ninety Six lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Super Spinning Mills Limited (SSML) factor in the decline in operational and financial performance of the company marked by fall in revenues and operational losses during FY18 (refers to the period April 1 to March 31). The ratings continue to be constrained by the vulnerability of profit margins to volatility in cotton/yarn prices, weak debt coverage indicators, moderate liquidity position of SSML and working capital intensive nature of operations.

The ratings, however, draw strength from the company's long track record of operations spanning over five decades, long-standing experience of the promoters in the textile industry, and presence of SSML in finer counts & specialized yarn segment.

Going forward, ability of the company to increase its revenues, improve profitability and capital structure while managing working capital efficiently would be a key rating sensitivity..

Detailed description of the key rating drivers

Key Rating Weakness

Declining Scale of Operations and moderate profitability: The Company's Operating Income has declined by 11.23% in FY18 from Rs.294.8 crore in FY17 to Rs.261.6 crore in FY17 due to lower domestic orders. The company reported loss after tax of Rs.21.6 crore in FY18 as against loss after tax of Rs.13 crore in FY17.

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. The cotton textile industry is inherently prone to volatility in cotton and yarn prices.

Weak financial risk profile: SSML had incurred significant debt-funded capex in the past. This coupled with reliance on working capital had resulted in high level of borrowings in the past. The company incurred cash losses consistently for the past two years ended FY18.

Moderate liquidity position: The current ratio of the company stood low at 0.44x as on March 31, 2018 (PY: 0.62x) on account of increased creditors and higher current maturities of debt. The company's operations are working capital intensive in nature. The average working capital utilization stood moderate at 85% for twelve months ended November 2018.

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 1.4 Lakh spindles as on March 31, 2018, spread across three manufacturing units. The board of

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

directors comprises of experienced industrialists, with three to four decades of experience in textile/ other industries. The company has a widespread network of agents in the domestic and international markets with about 90% of sales routed through them.

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 60% of the company's produce is compact yarn. SSML has flexibility to manufacture a wide count range of yarn from 24s to 120s.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Criteria for Manufacturing Companies](#)

[Rating Methodology – Cotton yarn](#)

About the Company

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 three manufacturing units in the States of Andhra Pradesh (Hindupur). SSML has an aggregate installed capacity of 1.4 lakh spindles as on March 31, 2017. SSML manufactures cotton yarn primarily in the higher count range of 60s to 120s.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	294.8	261.6
PBILDT	3.6	(3.0)
PAT	(2.6)	(16.0)
Overall gearing (times)	0.61	0.55
Interest coverage (times)	0.20	NM

A: Audited; NM- Not meaningful

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments

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	12.35	CARE BB-; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	20.40	CARE A4
Fund-based - ST-Foreign Bill Discounting	-	-	-	2.00	CARE A4
Fund-based - ST-Foreign Bill Discounting	-	-	-	1.00	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	25.00	CARE A4
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	63.21	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	12.35	CARE BB-; Stable	-	1)CARE BB; Stable (14-Nov-17)	1)CARE BB+ (12-Aug-16)	1)CARE BB+ (07-Sep-15)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	20.40	CARE A4	-	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)	1)CARE A4+ (07-Sep-15)
3.	Fund-based - ST-Foreign Bill Discounting	ST	2.00	CARE A4	-	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)	1)CARE A4+ (07-Sep-15)
4.	Fund-based - ST-Foreign Bill Discounting	ST	1.00	CARE A4	-	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)	1)CARE A4+ (07-Sep-15)
5.	Non-fund-based - ST-BG/LC	ST	25.00	CARE A4	-	1)CARE A4 (14-Nov-17)	1)CARE A4+ (12-Aug-16)	1)CARE A4+ (07-Sep-15)
6.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	63.21	CARE BB-; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (14-Nov-17)	1)CARE BB+ / CARE A4+ (12-Aug-16)	1)CARE BB+ / CARE A4+ (07-Sep-15)

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