

Trimurty Spinning Mills Private Limited

March 12, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	19.16	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer Not Cooperating*)	Issuer not cooperating; On the basis of best available information
Short term Bank Facilities	3.25	CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer Not Cooperating*)	Issuer not cooperating; On the basis of best available information
Total	22.41 (Rs. Twenty Two Crore and Forty One Lakh Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Trimurty Spinning Mills Private Limited (TSPL) to monitor the rating vide e-mail communications dated September 10, 2019, November 13, 2019, December 13, 2019, January 06, 2020, February 08, 2020, February 28, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on TSPL's bank facilities will now be CARE B; Stable/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 ratings.

The ratings assigned to the bank facilities of Trimurty Spinning Mills Private Limited (TSPL) continues to be constrained by moderate track record with fluctuating scale of operations, susceptibility of margins to fluctuation in the raw material prices and its presence in highly fragmented and seasonal cotton industry. The ratings are further constrained by leveraged capital structure with weak debt service coverage indicators and stretched liquidity position. The ratings however, derive strength from the experience of promoters, wide customer base, favorable outlook of cotton industry and location advantage emanating from proximity to raw material.

Detailed description of the key rating drivers:

At the time of last rating on December 18, 2018 the following were the rating strengths and weaknesses: (updated for the information available from Registrar of Companies):

Key Rating Weaknesses

Moderate track record with fluctuating scale of operations: TSPL has a moderate track record of 7 years with fluctuating scale of operations for last three years ended FY19. Furthermore, total operating income registered a growth of 31.33% to Rs.50.14 crore in FY19 (refers to a period from April 1 to March 31) against negative net-worth base of Rs.7.53 crore). Small scale of operations limits the financial flexibility of the company in times of stress and depriving the company from the benefits of scale.

Susceptibility of margins to raw material price fluctuation: The price of raw cotton in India is regulated through function of MSP by the government. Furthermore, the price of raw cotton is highly volatile in nature. Hence, any adverse change in government policy and climatic condition may negatively impact the prices of raw cotton in domestic market and could result in lower realizations and profit for TSPL.

Presence in seasonal and fragmented industry: Operation of cotton business is highly seasonal in nature, as the sowing season is from March to July and the harvesting season is spread from November to February. Furthermore, the cotton industry is highly fragmented with large number (approx 80%) of players operating in the unorganized sector. Hence, TSPL faces stiff competition from other players operating in the same industry, which further result in its low bargaining power against its customers.

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

*Issuer did not cooperate; Based on best available information

Stretched liquidity position: Liquidity position of the company continues to remain stretched in FY19. The operations of the company is characterised by gross current asset of 33 days during FY19 with funds blocked mainly in inventory. The working capital requirements are met by the cash credit facility availed by the company, the working capital limits remain fully utilised for past 12 months ended January 2020

Leveraged capital structure and weak debt coverage indicators: The capital structure of the company is highly leveraged marked by the higher reliance on external borrowings against completely eroded net worth base on account of reported net losses. Further debt coverage indicators remained weak during the year due to net loss in FY19.

Key Rating Strengths

Experience of promoters in cotton spinning sector: The promoters have an average experience of around two decades in cotton spinning industry from local entities engaged in similar line of business. The wide experience of promoters in same line of business is likely to aid company in day to day decision making activities.

Location advantage: The manufacturing facility of TSPL is located in Maharashtra, which is the second highest cotton producing state in India and Marathwada is the second highest cotton producing region of Maharashtra. Hence, TSPL gains the location advantage in terms of timely and easy availability of raw material for spinning.

Diversified product portfolio of company: TSPL has a diversified customer base, with top three customers contributing to 33% of the revenue during FY18. The diversified customer base of TSPL has enabled it to take advantage of gaps in market and increase its market share.

Favorable Industry Outlook: Domestic demand combined with derived demand accounted for the lion's share of cotton yarn demand (~85% in FY18) and is expected to continue to account for a significant share of the overall demand in the near future. The domestic demand is hence likely to be driven by healthy consumption from user industries like apparel and home textile industries.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

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

[Rating Methodology for Cotton Textile](#)

About the Company

TSPL was incorporated in August, 2012 for manufacturing of cotton yarn. Located in Ichalkaranji, Maharashtra, the company has manufacturing capacity of about 17.57 lakh kg of cotton yarn/annum.

Financials:

Brief Financials (Rs. crore)	FY18	FY19
	12M, Audited	12M, Audited
Total operating income	38.18	50.14
PBILDIT	3.45	2.59
PAT	-1.04	-1.68
Overall gearing (times)	NM	NM
Interest coverage (times)	1.38	1.07

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	-	-	July 2026	12.52	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	1.25	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	July 2027	4.64	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft	-	-	-	1.50	CARE A4; ISSUER NOT COOPERATING*

*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	12.52	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (18-Dec-18) 2)CARE B; Stable (30-Nov-18)	1)CARE B; Stable; ISSUER NOT COOPERATING* (12-Mar-18)	1)CARE B; Stable (17-Jan-17)
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (18-Dec-18) 2)CARE B; Stable (30-Nov-18)	1)CARE B; Stable; ISSUER NOT COOPERATING* (12-Mar-18)	1)CARE B; Stable (17-Jan-17)
3.	Non-fund-based - ST-BG/LC	ST	1.25	CARE A4; ISSUER NOT COOPERATING* Issuer not	-	1)CARE A4 (18-Dec-18)	1)CARE A4; ISSUER NOT COOPERATING* (12-Mar-18)	1)CARE A4 (17-Jan-17)

				cooperating; Based on best available information		2)CARE A4 (30- Nov-18)		
4.	Fund-based - LT- Term Loan	LT	4.64	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (18-Dec- 18)	-	-
5.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (18-Dec- 18)	-	-
6.	Fund-based - ST-Bank Overdraft	ST	1.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (18-Dec- 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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.