

Trimurty Spinning Mills Private Limited
 December 18, 2018

Rating

| Facilities | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|----------------------------|--|---|-------------------|
| Long term Bank Facilities | 19.16 (enhanced from Rs.16.02 crore) | CARE B; Stable (Single B; Outlook: Stable) | Reaffirmed |
| Short-term Bank Facilities | 3.25 (enhanced from Rs.1.25 crore) | CARE A4 (A Four) | Reaffirmed |
| Total facilities | 22.41 (Rupees. Twenty two crore and forty one lakhs only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 working capital intensive nature of operations. The ratings however, derive strength from the experience of promoters, wide customer base, favourable outlook of cotton industry and location advantage emanating from proximity to raw material.

The ability of the company to increase its scale of operations and improve profitability and capital structure while managing its working capital requirement effectively remain the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Weaknesses**

Moderate track record with fluctuating scale of operations: TSPL has a moderate track record of 6 years with fluctuating scale of operations for last three years ended FY18. Furthermore, the total operating income of company stood at Rs.38.18 crore in FY18 against negative networth base of Rs.5.85 crore. The small scale of operations of company restricts its financial flexibility in times of stress and deprives it of scale benefits.

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.

Working capital intensive nature of operations: The operations of TSPL remained working capital intensive in nature with funds being blocked in inventory and debtors. The working capital requirements of the company are met by the cash credit facility, the average utilization of which remains high during peak season.

Leveraged capital structure: The capital structure of TSPL remained leveraged, on account of higher reliance on external borrowings to support its increased scale of operations.

Weak debt coverage indicators: The debt protection indicators of TSPL remained weak, on account of low profitability and high gearing levels.

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.

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

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

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

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

[CARE's Methodology for Manufacturing Companies](#)

[Criteria for Short term instruments](#)

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

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.

| Brief Financials (Rs. crore) | FY17 | FY18 |
|------------------------------|--------|--------|
| | 12M, A | 12M, A |
| Total operating income | 34.35 | 38.18 |
| PBILDT | 3.24 | 3.45 |
| PAT | -0.62 | -1.04 |
| Overall gearing (times) | -4.78 | -5.12 |
| Interest coverage (times) | 1.54 | 1.38 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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

Analyst Contact

Name: Ms. Amita Yadav

Tel: 020 40009012

Email: amita.yadav@careratings.com

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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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/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 |
| Fund-based - LT-Cash Credit | - | - | - | 2.00 | CARE B; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 1.25 | CARE A4 |
| Fund-based - LT-Term Loan | - | - | July-2027 | 4.64 | CARE B; Stable |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 0.50 | CARE A4 |
| Fund-based - ST-Bank Overdraft | - | - | - | 1.50 | 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 | 12.52 | CARE B; Stable | 1)CARE B; Stable (30-Nov-18) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (12-Mar-18) | 1)CARE B; Stable (17-Jan-17) | 1)Suspended (23-Feb-16) |
| 2. | Fund-based - LT-Cash Credit | LT | 2.00 | CARE B; Stable | 1)CARE B; Stable (30-Nov-18) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (12-Mar-18) | 1)CARE B; Stable (17-Jan-17) | 1)Suspended (23-Feb-16) |
| 3. | Non-fund-based - ST-BG/LC | ST | 1.25 | CARE A4 | 1)CARE A4 (30-Nov-18) | 1)CARE A4; ISSUER NOT COOPERATING* (12-Mar-18) | 1)CARE A4 (17-Jan-17) | 1)Suspended (23-Feb-16) |
| 4. | Fund-based - LT-Term Loan | LT | 4.64 | CARE B; Stable | - | - | - | - |
| 5. | Non-fund-based - ST-Bank Guarantees | ST | 0.50 | CARE A4 | - | - | - | - |
| 6. | Fund-based - ST-Bank Overdraft | ST | 1.50 | CARE A4 | - | - | - | - |

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 9198190 09839

E-mail: meenal.sikchi@careratings.com**Mr. Ankur Sachdeva**

Cell: + 9198196 98985

E-mail: ankur.sachdeva@careratings.com**Ms. Rashmi Narvankar**

Cell: + 9199675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**JAIPUR****Mr. Nikhil Soni**304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91-0172-490-4000/01

Email: anand.jha@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride KumarSenate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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