

Rating Rationale

Brickwork Ratings assigns the rating¹ BWR 'BB-' / A4 for Bank Loan Facilities aggregating to ₹ 12.53 Cr of Sree Mangayarkarasi Mills Pvt Ltd.

Brickwork Ratings has assigned following **Ratings¹** for bank Loan facilities of Sree Mangayarkarasi Mills Pvt Ltd (SMMPL or The 'Company')

Facility	Limits (₹Cr)	Tenure	Ratings
Fund Based		Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook : Stable)
Cash Credit	6.00		
Term Loans	2.48*		
Non Fund Based		Short Term	BWR A4 (Pronounced BWR A Four)
Letter Of Guarantee	0.05		
Letter Of Credit	4.00		
Total	12.53	(INR Twelve Crores and Fifty Three Lakhs only)	

****Outstanding Balance as on 18.5.16.***

BWR has essentially relied upon the audited financial results up to FY 15, projections for FY 17, publicly available information and information/clarification provided by the firm's management.

The ratings assigned to the bank facilities of Sree Mangayarkarasi Mills Pvt Ltd, factors primarily the experience of the promoters in cotton and textile industry, efficient working capital management, satisfactory debt coverage indicators. However, the rating is constrained by modest scale of operations in the highly fragmented textile industry, reduced revenue growth, high gearing low net worth, competitive market along with seasonal risk associated with agri commodity.

Background:

SMMPL is established in 1985 at Paddur, Madurai as private limited company. registered at Registrar of Companies, Chennai. Its authorized share capital is Rs. 1.30 Cr and its paid up capital is Rs. 1.00 Cr. It is involved in Spinning, weaving and finishing of textiles. Mill/plant is located at Puliyankulam, near Silaiman, Madurai.

SMMPL is promoted by Mr Sri M Kannappan and Sri K Murugesan who are also directors of the company. The company's day-to-day operations are managed by Mr. K Murugesan. SMMPL has also obtained ISO 9001-2008 & ISO 14001-2004 certification.

Financial Performance:

SMMPL has reported revenue of Rs 53.4 Cr in FY 15 decreased from Rs 59.12 Cr in FY 14. However PAT has increased to Rs 0.67 Cr in FY 15 from Rs 0.45 Cr in FY 14. Net worth has

¹ Please refer to www.brickworkratings.com for definition of the Ratings

increased to Rs 5.23 Cr in FY 15. ROCE is reported 12.05 % for FY 15 increased by 15% from 10.44% in FY 14. Current ratio for FY 15 stands at 1.01 times. Gearing for FY 15 stood at 2.01 times. ISCR stood at 2.19 times and DSCR stood at 1.25 times. Day's receivables and payables stood at 40 and 22 days respectively for FY 15. It is reported that SMMPL has registered revenue of Rs 50.00 Cr in FY 16 till March 2016.

Rating Outlook:

The outlook of SMMPL for the next one year is expected to be stable. Going forward, ability of the company to sustain revenue growth, increase profitability margins, scale up operations, maintain working capital management and prompt servicing of debt will be the key rating sensitivities.

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