Rating Rationale

Sri Selvakumar Mills Pvt Ltd

23 Apr 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs 15.93 Crores of Sri Selvakumar Mills Pvt Ltd.

Particulars

Facility	Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous (Oct 2016)	Present
Fund based	16.25	12.78	Long Term	**BWR BB** (Pronounced as BWR Double B) Outlook:Stable	**BWR BB** (Pronounced as BWR Double B) Outlook: Stable **Reaffirmation**
Non Fund Based	0.06	3.15	Short Term	**BWR A4+** (Pronounced as BWR Single A Four plus)	**BWR A4+** (Pronounced as BWR Single A Four plus) **Reaffirmation**
Total	**16.31**	**15.93**	**Rs Fifteen Crores Ninety Three Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

BWR has essentially relied upon the audited financial of the Company up to FY17, estimated financial up to FY-18, publicly available information and information/clarifications provided by the Company's management.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating draws comforts from experienced promoter, increased revenues, satisfactory coverage ratios and low gearing profile. However, ratings are constrained by decline in operating and net profitability margins, increased conversion cycle, intense competition from organized and unorganized players and slowdown in the textile industry.

Description of Key Rating Drivers

Credit Strengths:

One of the promoters is having three decades of experience, revenue has increased from Rs 42.84 Crs in FY16 to Rs 49.22 Crs in FY17, interest service coverage is at 1.69X in FY 17, Debt service coverage is at 1.27X in FY17, gearing is at 0.86X.

Credit Risks:

Operating profit margin is decreased from 9.93% in FY16 to 7.91 % In FY17, net profitability margin is declined from 0.88 % in FY 16 to 0.21% in FY17 and conversion cycle is at 80 days.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes that **Sri Selvakumar Mills Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Sri Selvakumar Mills established in the year 1985 as a proprietorship and then reconstituted into Sri Selvakumar Mills Pvt Ltd in April 2004. Mr. Kumarsen is the Managing Director of the Company and his wife Ganeshwari is the Director and his Son Selvakumar Surendran is the Joint Managing Director of the Company. The Company is into manufacturing of high quality open end Yarn , Greige and Processed Fabric. The Company has its own Manufacturing Unit and Registered office are located at Palladam, Tamil Nadu. Manufacturing unit contains 3500 Rotors , 50 Looms , 2 Sizing machines , 4 Warping machines and 11 open end machines.Unit does 2 shifts daily with human resource of ~ 300 workers. Company also having its associate concern named Venkatesha process Ltd.

Company Financial Performance

The company has reported a net profit of Rs 0.10 Crs on a revenue of Rs.49.22Crs in FY17, Net worth is Rs 17.81 Crs as at FY17 The company has reported revenue of Rs 62..67 Crs as at FY18

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	20.10.2016	2015	2014
	Fund Based	Long Term	12.78	**BWR BB (Pronounced as BWR Double B) Outlook:Stable**	**BWR BB**	**Not Rated**	**Not Rated**
	Non Fund Based	Short Term	3.15	**BWR A4+ Pronounced as BWR Single A Four Plus)**	**BWR A4+**	**Not Rated-**	**Not Rated-**
	Total		**15.93**	**Rs Fifteen Crores Ninety Three Lakhs Only**			

Key Financial Indicators

Key Parameters	FY15	FY16	FY17
Result Type	**Audited**	**Audited**	**Audited**
Operating Revenue(Rs in Crs)	45.31	42.84	49.22
EBITDA(Rs in Crs)	2.55	2.82	2.45
PAT (Rs in Crs)	0.36	0.38	0.10
Tangible Net worth (Rs in Crs)	15.73	17.35	17.81
Total Debt/Tangible Net worth(Times)	0.98	0.92	0.86
Current Ratio (Times)	0.94	1.06	1.04

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Textile Industry

For any other criteria obtain hyperlinks from website

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For print and digital media
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Annexure-I - Bank facilities

Facility	Tenure	Amount (Rs in Crs)	
		Previous	Present
Fund based			
Cash Credit	Long Term	11.50	8.00
Working Capital Term Loan		Nil	2.91
Term Loan		0.75	Nil
Corporate Term Loan		4.00	Nil
Term Loan I		Nil	1.47
Term Loan II		Nil	0.40
EPC/PCFC (Sublimit of CC)	Short Term	Nil	(1.50)
FBD/FBP (Sublimit of EPC/PCFC)		Nil	(1.50)
Total Fund based limits			12.78
Non Fund Based			
Forward contract	Short Term	Nil	0.15
FLCBD		Nil	2.00
ILCBD		Nil	1.00
LC (Sublimit of CC)		Nil	(3.00)
CEL		0.06	Nil
Total non Fund based limits			**3.15**
Total		**16.31**	**15.93**

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