



September 22, 2010

ICRA revises the ratings for bank facilities of Super Spinning Mills Limited

ICRA has upgraded the rating assigned to the Rs. 90.2 crore¹, term loans and the Rs. 110.4 crore, fund-based limits of Super Spinning Mills Limited ("SSML"/"the company") to LBB+ (pronounced L double B plus) from LB (pronounced L B)[†]. The outlook on the rating is 'stable'.

The upward revision in rating reflects the improvement in the liquidity profile of SSML with steady growth in revenues and improvement in operating margins driven by favorable demand environment for cotton yarn in the recent past. After a slowdown over the last two years, the spinning industry has rebounded from the second half of fiscal 2009-10 driven by revival in export demand. SSML has managed to improve its profit margins on the back of its diversified customer base and long-standing relationship with its established clientele. Despite improvement in capitalisation levels aided by growth in accruals, gearing continues to remain at high levels of 2.4 times in March 2010 owing to debt funded expansion till 2006-07 and losses incurred subsequently on account of slowdown. ICRA notes that the gearing levels are likely to improve going forward with no major capital expenditure envisaged by SSML. Also, inflows from sale of portion of assets and realization from advances extended to related parties should improve the liquidity position and aid in debt servicing, which are at relatively higher levels for the next two years. The rating is constrained by vulnerability in earnings to cotton price and exchange rate volatility, high working capital intensity during portion of year owing to seasonal nature of raw material availability, relatively lower portion of revenues accrued from value added yarn segment limiting pricing flexibility to an extent and also intense competition in the market place, with majority of revenues of SSML being accrued from medium counts.

Company Profile

Super Spinning Mills Limited (SSML) was established in 1962 by Late Mr. N. Damodaran, Mr. V. N. Ramchandran and Mr. L. G. Balakrishnan, members of the Elgi group of Coimbatore. As on March 2010, the company had five units in Andhra Pradesh and Tamil Nadu with a total capacity of 177,408spindles and 1200 rotors. SSML's primary business is cotton yarn spinning which contributes more than 90% of revenues. The company is partially integrated into segments like knitting and garmenting, which contribute the remaining 10%.

During 2009-10, SSML had acquired a group company, Sara Elgi Arteriors Limited (SEAL), at an investment of Rs 1.45crore. SEAL is into manufacture of UPVC windows and doors for Building industry with revenues of Rs 10 crore, net profit of Rs 1.1 crore and gearing of around 0.6 times for 2009-10. The management has mentioned that there would be no major investment required in the subsidiary in the short to medium term, where the scale of operations of the entity is small and would remain so going forward. Hence, there should be no impact on the credit profile of SSML on account of the acquired entity.

Recent Results: For the first quarter ended June 2010, the company has reported a net profit of Rs 4.6 crore on an operating income of Rs. 110.1 crore. For the corresponding period of 2009-10, the company reported a net loss of Rs 5.5 crore on an operating income of Rs 88.5 crore.

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¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in