

Rating Advisory

March 31, 2021 | Mumbai

Super Sales India Limited

Advisory as on March 31, 2021

This rating advisory is provided in relation to the rating of Super Sales India Limited

The key rating sensitivity factors for the rating include:

Upside factors

- Reduction in receivables to less than 60 days improving working capital cycle
- Financial support from the promoters

Downside factors

- Continuously overdrawn working capital facility after end of moratorium
- Stretch in working capital cycle resulting in further pressure on liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Super Sales India Limited (SSIL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If SSIL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the company

SSIL has three business divisions: textiles, which makes yarn and fabrics; agency, which acts as a sales agent for the textile machinery manufactured by group company, Lakshmi Machine Works Ltd (LMW); gears, which manufactures gears and gear boxes for LMW and others. The company has its manufacturing facilities at Coimbatore, Tamil Nadu. Managing director, Mr G.Mani, manages the operations. The company is listed on Bombay Stock Exchange and National Stock Exchange

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Rating Rationale

May 12, 2020 | Mumbai

Super Sales India Limited

Ratings downgraded to 'CRISIL BB+/Negative/CRISIL A4+'

Rating Action

Total Bank Loan Facilities Rated	Rs.119.98 Crore
Long Term Rating	CRISIL BB+/Negative (Downgraded from 'CRISIL BBB+/Stable')
Short Term Rating	CRISIL A4+ (Downgraded from 'CRISIL A2')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its ratings on the bank facilities of Super Sales India Limited (SSIL) to ' **CRISIL BB+/Negative/CRISIL A4+**' from 'CRISIL BBB+/Stable/CRISIL A2'.

The downgrade reflects the expected weakening in the company's financial risk profile, particularly liquidity, following the impact of Covid-19. Operating cycle has weakened with minimal receivables collections in the last two months, leading to over-utilisation of working capital limit. There was also an instance of invocation of bank guarantee which was, cleared from working capital limit.

However, CRISIL has also taken into cognizance the 90-day moratorium on term loan repayment (as well as working capital facilities) being granted by the bankers as per the Reserve Bank of India (RBI) guidelines. Liquidity will remain pressure over the medium term and will continue to be contingent on collection of money from customers.

CRISIL is also aware of the restrictions on economic activity from March 24 to May 4, 2020, including closure of all non-essential manufacturing plants in India as well as lockdown and disruptions in key global markets, to contain the spread of the pandemic. Although the company has started operations at 50% capacity from May 8, 2020, ramp up in operations and management of working capital shall remain key monitorable

The ratings reflect SSIL's established market position supported by longstanding relationships with marquee customers, and a moderate financial risk profile due to moderate debt protection metrics. These strengths are partially offset by working capital-intensive operations and exposure of operating profitability to volatility in raw material prices.

Key Rating Drivers & Detailed Description

Strengths:

* **Established market position:** Benefits from the company's long track record of operations, established relationships with a large and stable customer base that includes reputed textile manufacturers, and a wide product portfolio (with yarn from 50-130 counts) should continue to support business.

* **Moderate financial risk profile:** Networth and gearing were healthy at Rs 220 crore and 0.36 time, respectively, as on September 30, 2019. Debt protection metrics were above average, with interest coverage and net cash accrual to total debt ratios of 3.2 times and 25%, respectively, for the six months through September 2019. However, financial risk profile is likely to weaken over the medium term due to high reliance on working capital debt and expected decline in profitability following lower absorption of fixed costs because of Covid-19's impact.

Weaknesses:

* **Working capital-intensive operations:** Gross current assets were high at 150 days as on September 30, 2019, because of stretched receivables in the engineering division and large inventory of cotton maintained to meet the requirements of the yarn division. Working capital requirement is likely to remain large in fiscal 2021 owing to stretch in receivables following lockdown of operations of most of SSIL's customers.

* **Exposure to volatility in raw material prices:** The textiles division accounts for 75% of total revenue. Cotton prices and, consequently, yarn prices have been highly volatile in the past, and are expected to remain so, thereby exposing the company to price risk. Total material costs increased to 63.75% in fiscal 2019 from around 56.84% in fiscal 2018, primarily arising from the textiles department. Consequently, operating profitability declined to around 8.8% from around 15%. Operating margin will remain exposed to volatility in raw material prices over the medium term.

Liquidity Stretched

Working capital limit of Rs 85 crore was utilised at around 95% in the 12 months through March 2020. The limit is currently overdrawn and realisation of receivables will be critical for improving bank limit utilisation. Cash accrual is expected to be Rs 7-14 crore per annum expected to be generated over the medium term, against which the company does not have any repayment obligations. CRISIL has noted that SSIL has sought moratorium from its lenders, in line with the relief measures announced by RBI on servicing instalments on term loan for three months (March-May 2020). While the relief is temporary, availability of adequate liquidity post-normalisation of operations is critical. The company's ability to recover the receivables, curtail fixed expenditure in the near term, and shore up liquidity shall remain key rating sensitivity factors.

Outlook: Negative

CRISIL believes SSIL's financial risk profile, particularly liquidity, will remain under pressure over the medium term due to lower operating income and profitability and further stretch in working capital cycle.

Rating Sensitivity factors

Upward factors

- * Reduction in receivables to less than 60 days improving working capital cycle
- * Financial support from the promoters

Downward factors

- * Continuously overdrawn working capital facility after end of moratorium
- * Stretch in working capital cycle resulting in further pressure on liquidity

About the Company

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Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs.Crore	296	254.5
Profit After Tax (PAT)	Rs.Crore	5.94	14.2

PAT Margin	%	2.01	5.6
Adjusted debt/adjusted networth	Times	0.56	0.45
Interest coverage	Times	3.97	5.6

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Bill Discounting	NA	NA	NA	20.75	CRISIL BB+/Negative
NA	Cash Credit	NA	NA	NA	57.5	CRISIL BB+/Negative
NA	Letter of Credit	NA	NA	NA	3.75	CRISIL A4+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	27.98	CRISIL BB+/Negative
NA	Warehouse Financing	NA	NA	NA	5.0	CRISIL BB+/Negative
NA	Working Capital Demand Loan	NA	NA	NA	5.0	CRISIL BB+/Negative

Annexure - Rating History for last 3 Years

		Current		2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	116.23	CRISIL BB+/Negative			16-07-19	CRISIL BBB+/Stable	20-11-18	CRISIL BBB+/Stable/CRISIL A2	05-12-17	CRISIL BBB/Positive/CRISIL A3+	CRISIL BBB/Positive
										21-11-17	CRISIL BBB/Positive/CRISIL A3+	
Non Fund-based Bank Facilities	LT/ST	3.75	CRISIL A4+			16-07-19	CRISIL A2	20-11-18	CRISIL A2	05-12-17	CRISIL A3+	CRISIL A3+
										21-11-17	CRISIL A3+	

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bill Discounting	20.75	CRISIL BB+/Negative	Bill Discounting	20.75	CRISIL BBB+/Stable
Cash Credit	57.5	CRISIL BB+/Negative	Cash Credit	57.5	CRISIL BBB+/Stable
Letter of Credit	3.75	CRISIL A4+	Letter of Credit	3.75	CRISIL A2

Proposed Long Term Bank Loan Facility	27.98	CRISIL BB+/Negative	Proposed Long Term Bank Loan Facility	17.98	CRISIL BBB+/Stable
Warehouse Financing	5	CRISIL BB+/Negative	Warehouse Financing	5	CRISIL BBB+/Stable
Working Capital Demand Loan	5	CRISIL BB+/Negative	Working Capital Demand Loan	15	CRISIL BBB+/Stable
Total	119.98	--	Total	119.98	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Cotton Textile Industry](#)

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