



SURYAAMBA SPINNING MILLS LIMITED

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March 05, 2024

Department of Corporate Services-CRD
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Scrip Code: 533101

Sub: Disclosure of Material Event / Information – Credit Rating

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Dear Sir/ Madam,

Pursuant to Regulation 30 and other applicable provisions of the Listing Regulations, it is hereby informed that the India Ratings & Research Private Limited (A Fitch Group Company) has assigned its ratings on the Bank facilities of the Suryaamba Spinning Mills Limited (“the Company”). Details of credit rating is enclosed for reference & records.

This intimation may also be accessed at www.suryaamba.com.

You are requested to take the above information on your record.

Thanking you,

Yours faithfully,

For Suryaamba Spinning Mills Limited

KRITI LADHA
Digitally signed by KRITI LADHA
Date: 2024.03.05 12:23:11 +05'30'

Kriti Ladha
Company Secretary & Compliance Officer
M. No.: ACS61729
Encl: As above.

India Ratings Affirms Suryaamba Spinning Mill Ltd's Bank Loans to 'IND BBB'; Revises Outlook to Negative

India Ratings and Research (Ind-Ra) has affirmed Suryaamba Spinning Mills Limited's (SSML) bank facilities at 'IND BBB'. Outlook has been revised to negative. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Fund-based working capital limits	-	-	-	INR215	IND BBB/Negative	Affirmed
Non-fund-based working capital limits	-	-	-	INR57.9	IND A3+	Affirmed
Term loans	-	-	FY26	INR269.55	IND BBB/Negative	Affirmed

The Negative Outlook reflects projected deterioration in the scale of operations and margins resulting in overall deterioration of credit metrics for FY24.

Analytical Approach: The agency continues to take a standalone view of SSML to arrive at the ratings.

KEY RATING DRIVERS

Moderate Scale of Operations; expected to decline in FY24: The scale of operation continued to remain medium in FY23 generating INR 2,461.32 million in revenue (FY22: INR2266.56 million) due to higher realisations and growth in demand. In 1HFY24, SSML has already booked revenue of INR1143.35 million. Ind-Ra expects the revenue to decline in FY24 on account of price correction particularly in the polyester yarn segment and subdued export demand from the importing nations like US and Turkey.

Modest EBITDA Margins: SSML's comfortable EBITDA margins declined to 8.34% in FY23 (FY22: 11.84%) because of increased operating costs and increased raw material prices. The ROCE stood at 13.7% in FY23 (FY22: 24.3%). In 1HFY24, the EBITDA margin deteriorated to 6.47% on account of significant increase in supply of polyester yarn in India by China impacting average sales realisation of Indian polyester players. Ind-ra expects the margins to remain modest in near to medium term on account of safeguarding measures taken by Government of India by implementing quality control order (QCO) from October 2023 on polyester yarn which is expected to curtail polyester yarn imports.

Moderate Credit Metrics: SSML's credit metrics has deteriorated in FY23 owing to a decrease in the absolute EBITDA. Absolute EBITDA declined to INR205.19 million in FY23 (FY22: INR268.42 million) on account of deterioration in the EBITDA margins. SSML's interest coverage (operating EBITDAR/gross interest expense) declined to 3.69x in FY23 (FY22: 5.67x) and the net leverage (adjusted net debt/operating EBITDAR) deteriorated to 2.18x in FY23 (FY22: 1.82x). Ind-Ra expects the credit metrics to remain moderate in FY24 as the entity does not plan to take any debt in near to medium term.

Established Operating Track Record and Locational Advantage: SSML has an operational track record of over a decade in the textile business, with a diverse product line comprising polyester yarns, viscose yarns, fancy yarns and other blends. SSML's manufacturing unit, located at Nayakund in Nagpur (Maharashtra), is well connected by roads, enabling the company to supply products across India at low freight rates.

Liquidity Indicator - Stretched: SSML's average use of the fund-based and the non-fund-based facilities was 62.45% and 100%, respectively, over the 12 months ended November 2023 and is expected to remain at similar levels till January 2024. However, SSML does not have any capital market exposure and relies on single banks to meet its funding requirements. The company's cash flow from operations declined to INR120.27 million (FY22: INR 200.24million) owing to the deterioration in the absolute EBITDA. SSML's working capital cycle improved to 62 days in FY23 (FY22: 67 days) mainly due to an improvement in creditor days which were at 19 days in FY23 (FY22: 13 days) and reduction in debtor days to 34 days (FY22: 40 days) while the inventory days increased to 46 days in FY23. The free cash flow remained negative INR11.02 million in FY23 (FY22: INR 39.01 million) due to capex of INR128.36 million. The cash and cash equivalents stood at INR0.36 million at FYE23 (FYE22: INR 0.81million). SSML has a scheduled debt repayment obligations of INR 46.2 million and INR 52.6 million in FY24 and FY25 respectively. Ind-ra expects liquidity to remain stretched in near to medium term.

Limited Bargaining Power; Susceptibility to Raw Material Price Volatility: The ratings continue to be constrained by SSML's limited bargaining power with its suppliers and, to some extent, the susceptibility of its margins to movements in raw material prices. Polyester staple fibre and viscose staple fibre, the costs of which are linked to crude prices, are the key raw materials used by the company and account for the bulk of the total operating costs.

RATING SENSITIVITIES

Positive: A substantial improvement in the scale of operations, leading to a sustained improvement in the credit metrics, with the leverage remaining below 3x, and an improvement in the liquidity position will lead to a positive rating action.

Negative: Inability to improve the scale of operations, leading to a sustained deterioration in the credit metrics, with the net leverage exceeding above 3x, and an deterioration in the liquidity position will lead to a negative rating action.

COMPANY PROFILE

Incorporated in 2007, SSML manufactures speciality synthetic spun yarn. The manufacturing facility is located at Nayakund, Nagpur.

FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR million)	2,461.32	2,266.56
EBITDAR (INR million)	205.19	268.42
EBITDAR margin (%)	8.34	11.84
Gross interest coverage (x)	3.69	5.67
Net leverage (x)	2.18	1.82
Source: SSML; Ind-Ra		

Suryaamba Spinning Mills Limited (INR million)	FY23	FY22	FY21
Summary Income Statement			
Gross revenue (+)	2,461.32	2,266.56	1,256.83
Revenue growth (%)	8.59	80.34	(22.12)
Operating EBITDA (before income from associates)	205.19	268.42	132.45

Operating EBITDA margin (%)	8.34	11.84	10.54
Operating EBITDAR	205.19	268.42	132.45
Operating EBITDAR margin (%)	8.34	11.84	10.54
Operating EBIT	142.35	219.49	85.63
Operating EBIT margin (%)	5.78	9.68	6.81
Gross interest expense	55.68	47.34	43.82
Pre-tax income	105.85	184.32	49.85
Net income	79.09	144.48	42.48
Summary Balance Sheet			
Cash & equivalents	0.36	0.81	19.13
Working capital	305.55	319.44	257.15
Accounts receivable	229.12	245.63	173.06
Inventory	192.23	147.22	174.05
Accounts payable	115.80	73.41	89.96
Total Debt with Equity Credit	447.31	488.66	400.52
Short-Term Debt	90.41	127.25	148.68
Long-Term Senior Secured Debt	255.45	249.52	134.65
Long-Term Senior Unsecured Debt	0.00	0.00	0.00
Long-Term Subordinated Debt	0.00	0.00	0.00
Other Debt	101.45	111.89	117.19
Equity Credit	0.00	0.00	0.00
Total Adjusted Debt with Equity Credit	447.31	488.66	400.52
Summary Cash Flow Statement			
Operating EBITDA	205.19	268.42	132.45
Cash interest	(55.68)	(47.34)	(43.82)
Cash tax	(21.45)	(40.28)	(8.25)
Non-controlling interest	0.00	0.00	0.00
Other items before FFO	17.87	9.85	3.76
Funds flow from operations	146.72	191.81	85.82
Change in working capital	(26.45)	8.43	(41.70)
Cash flow from operations	120.27	200.24	44.12
Total non-operating/non-recurring cash flow	0.00	0.00	0.00
Capital expenditures	(128.36)	(238.65)	(34.48)
Common dividends	(2.93)	(0.60)	(1.98)
Free cash flow	(11.02)	(39.01)	7.66
Free cash flow margin (%)	(0.45)	(1.72)	0.61
Net acquisitions & divestitures	0.00	0.00	3.51
Other cash flow items	10.57	(3.37)	0.60
Cash flow from investing	(117.79)	(242.02)	(30.37)
Net debt proceeds	(41.35)	88.14	4.67
Net equity proceeds	0.00	0.00	0.00
Cash flow from financing	0.00	24.06	4.97
Total change in cash	(0.45)	(18.32)	16.74
Coverage Ratios (x)			
FFO interest coverage	3.62	5.03	2.92
FFO fixed charge coverage	3.62	5.03	2.92
Operating EBITDAR/gross interest expense + rents	3.69	5.67	3.02
Operating EBITDAR/net interest expense + rents	3.74	5.81	3.14
Operating EBITDA/gross interest expense	3.69	5.67	3.02

Leverage Ratios (x)			
Total adjusted debt/operating EBITDAR	2.18	1.82	3.02
Total adjusted net debt/operating EBITDAR	2.18	1.82	2.88
Total debt with equity credit/operating EBITDA	2.18	1.82	3.02
FFO adjusted leverage	2.22	2.05	3.13
FFO adjusted net leverage	2.22	2.05	2.98
Source: SSML; Ind-Ra			

RATING CRITERIA

‘Corporate Rating Methodology’, dated 20 April 2020, Policy for Placing Ratings on Rating Watch, Parent and Subsidiary Rating Linkage, Evaluating Corporate Governance, The Rating Process, Short-Term Ratings Criteria for Non-Financial is available at www.indiaratings.co.in.

RATING HISTORY

Instrument Type	Rating Type	Rated (million)	Limits	Current Ratings	Historical Rating/Outlook*			
					22 Sep 2023	06 Dec 2021	11 Nov 2021	04 Dec 2020
Fund Based Working Capital Limit	Long-term	INR 215		IND BBB/Negative	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Negative
Term loan	Long-term	INR 269.55		IND BBB/Negative	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Negative
Non-Fund Based Working Capital Limit	Short-term	INR 57.9		IND A3+	IND A3+	IND A3+	IND A3+	IND A3+

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low
Term loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

RATING CRITERIA

Evaluating Corporate Governance, Policy for Placing Ratings on Rating Watch, Short-Term Ratings Criteria for Non-Financial Corporates, Corporate Rating Methodology, The Rating Process

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

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