

Rating Rationale

Brickwork Ratings assigns the rating ‘BWR B/A4’ for Bank Loan Facilities aggregating ₹15.08 Cr of Amaravathi Spinning Mills (Rajapalayam) Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities aggregating ₹ 15.08 Cr of Amaravathi Spinning Mills (Rajapalayam) Private Limited (*ASMRPL or the ‘Company’*).

Facility	Present Limit(₹Cr)	Tenure	Rating
Fund Based			
Cash Credit	7.00	Long Term	BWR B (Pronounced as BWR Single B) (Outlook: Stable)
Export Packaging Credit (EPC)	3.00		
Stand By Line Of Credit (SLC)	1.50		
Asset Backed Loan (ABL)	2.55		
Non Fund Based			
Credit Exposure Limit (CEL)	0.03	Short Term	BWR A4 (Pronounces as BWR A Four)
Letter of Credit	1.00		
Total	15.08	INR Fifteen Crore and Eight Lakhs only	

Note: Company has provided Provisionals FY 16 which is not certified by the chartered accountant

BWR has principally relied upon the audited financial results of ASMRPL upto, FY15, and publicly available information and information/clarification provided by the Company.

The rating, inter alia, factors long track record of business operations, experienced promoters, and relationship with clients, Y-O-Y revenue growth, and increased profit margins. However rating is constrained by moderate scale of operations, volatility in raw material prices, highly fragmented textile industry, high gearing, and low net worth, competitive market along with seasonal risk associated with agri commodity.

Background

Amaravathi Spinning Mills (Rajapalayam) Private Limited (ASMRPL), incorporated as Private Limited Company in November 1989, is primarily engaged in producing cotton yarn. Based in Rajapalayam (Tamil Nadu), the Company commenced commercial production in 1992 with a capacity of 2,880 spindles and gradually enhanced it to 12,168 spindles. The firm sells yarn in markets like Coimbatore, Salem, Erode, Tirupur and Karur. ASMRPL has also commenced production of socks at Erode (Tamil Nadu) in August 2011 and exports the same to Poland. The Company is closely held by the promoters and their relatives.

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

Financial Performance

Total revenue of the company is reported as Rs18.92 Cr in FY 15. Company has reported an operating profit margin of 14 per cent for FY15. ISCR and DSCR stood at 1.37 times and 0.83 times respectively for FY 15. PAT has increased from Rs0.09 Cr in FY 14 to Rs.0.13 Cr in FY 15. The debt equity ratio is at 2.00 times and current ratio is 1.21 times for FY 15. The total Net Worth stood at Rs6.03 Cr in FY 15. Company has provided Provisionals FY 16 which is not certified by chartered accountant.

Rating Outlook

The outlook of the Company is expected to be stable for medium term. Going forward ability of ASMRPL to enhance revenue growth, increase scale of operations and ability to infuse funds to reduce gearing and prompt servicing of debt obligations would be the key rating sensitivities.

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