

Rating Rationale

Arun Spinning Mills Pvt Ltd

21st Feb 2017

Brickwork Ratings revises the ratings for the Bank Loan Facilities of Arun Spinning Mills Pvt Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating ^	
	Previous	Present		Previous (Feb 2016)	Present
Fund Based					
Cash Credit	14.2	14.2	Long Term	BWR B (Pronounced BWR Single B) Outlook: Stable	BWR B- (Pronounced BWR Single B Minus) Outlook: Stable Downgraded
Term Loans	3.21	1.88*			
Non Fund Based					
Letter of Credit	5.00	5.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
Project related Guarantee	0.58	-			
Project related LC	0.53	-			
Total	23.52	Rs. 21.08 Crores (Rupees Twenty One Crore Eight Lakhs Only)			

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

* Term loan o/s as on 7th Feb 2017

Long term Rating is Downgraded and Short term rating is reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company up to FY16, projected financials up to FY 18, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the experience of promoters in the line of business, growth in sales and established customer base. However, the ratings are constrained by moderate net worth, thin profit margins and stretched liquidity. The rating also takes note of inherent risks associated with agro based industries and competition from other players in the market.



The ability of the company to improve its scale of operations and profitability and manage working capital would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the Arun Spinning Mills Pvt Ltd's 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

Arun Spinning Mills P Ltd (ASMPL) was incorporated in 1997 at Rajapalayam, Tamilnadu to manufacture grey cotton yarn, promoted by Mr.P.Subbaraman. There is a group company M/s.Sakthi Spintex P Ltd which is also into spinning since 2011 with the capacity of 14400 spindles for manufacture 60 counts cotton yarn.

The company started commercial production in 1997 with an initial capacity of 5000 spindles which was gradually increased to the current level of 30240 spindles and 888 Rotors.

Company Financial Performance

ASMPL reported net sales of Rs.66.99 Crs and net profit of Rs. 0.71 Crs in FY 16 as against net sales of Rs. 54.18 Crs and net loss of Rs. 0.27 Crs in FY15. Its Networth was at Rs. 7.11 crs (Rs. 6.37 crs in FY15).

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	19 Feb' 2016	2015	2014
1).	Cash Credit	Long term	14.20	BWR B-	BWR B		
2).	Term loans		1.88	Outlook: Stable	Outlook: Stable	-	-
3).	Letter of Credit	Short Term	5.00	BWR A4	BWR A4	-	-
4).	Project related Guarantee		0.00				
5).	Project related LC		0.00				



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

Analytical Contacts	Media
Vipula Sharma DGM Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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