

## Rating Rationale

### Brickwork Ratings assigns ‘BWR B’ & ‘BWR A4’ rating for the Bank Loan Facilities of Arun Spinning Mills Pvt. Ltd (ASMPL)

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for the Bank Loan Facilities of ₹23.52 crores of Arun Spinning Mills P Ltd (ASMPL or ‘the company’)

Facility	Amount(₹ Cr)	Tenure	Rating <sup>^</sup>
Fund Based	17.41	Long Term	<b>BWR B</b> (Pronounced BWR Single B)  <b>Outlook: Stable</b>
Non-Fund based	6.11	Short Term	<b>BWR A4</b> (Pronounced BWR A Four )
<b>Total</b>	<b>23.52</b>	<b>INR Twenty Three Crores and Fifty Two Lakhs Only</b>	

BWR has principally relied upon the audited financial results up to FY15, and projected financials upto FY17 of ASMPL, publicly available information and information/clarifications provided by the Company management.

The rating has factored, inter alia, the promoters’ vast experience in the textile sector and the well -established clientele of the Company. The rating is constrained by moderate scale of operations, very thin profit margins, high gearing and intense competition in the sector.

#### Company Background

Arun Spinning Mills P Ltd (ASMPL) was incorporated in 1997 at Rajapalayam, Tamilnadu to manufacture grey cotton yarn. ASMPL is 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 manufacturing 60 count 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.

ASMPL manufactures carded and combed yarn of 20 to 80 counts. ASMPL markets its yarn through brokers to traders and consumers located in Erode, Salem, Karur, Tirupur and Mumbai.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Management Profile

The directors of the company are Mr P.Subbaraman, Mr. P.Sundarrajan, Mr.P.Vijayakumar, Mr.S.Arun Kumar and Ms.S.Sakthirani. The promoters of the company have vast experience in the textile business.

### Financial Performance

ASMPL has shown improvement in sales level from Rs.51.28 Crs in FY 13 to Rs.65.68 Crs in FY 14 but the turnover has reduced in FY15 to Rs.54.18 Crs. Though there is reduction in sales level the net profit of the company has increased from Rs.0.09 Crs in FY 14 to Rs.0.27 Crs in FY 15. Current ratio has improved from 0.75 as on FY14 to 0.83 as on FY15. The tangible networth of the Company is at Rs.6.37 Crs as on 31.3.15.

### Rating Outlook

Going forward, the ability of ASMPL to improve turnover and profitability, improve the capital structure to reduce gearing and reduce the inventory and receivables to improve liquidity will be the key rating sensitivity factors.

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