

Rating Rationale

Aruppukottai Sri Jayavilas Limited

27 Feb 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.63.70 crs of Aruppukottai Sri Jayavilas limited (ASJL)

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<u>Fund Based</u>			
Cash credit	21.70	Long Term	BWR B (Pronounced BWR Single B) Outlook: Stable
Term Loans - Existing	11.17		
Working Capital Demand Loans	10.23		
<u>Fund based</u> Warehouse Receipts	15.00	Short Term	BWR A4 (Pronounced BWR A four)
<u>Non-Fund based</u> LC(WC)	5.60		
Total	Rs. 63.70 Crores (INR Sixty Three Crores and Seventy Lakhs Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Term loans and Working capital term loans o/s as on 12.02.18

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17 and projected financials up to FY19 and publicly available information/clarifications provided by the company.

The assigned rating derives comfort from the extensive industry experience of the promoters and management, long track record of operations of the company with established clientele, diversified business profile, satisfactory capital structure of the company and locational advantage of the company. The ratings are, however, constrained by ASJL's fluctuating revenue levels, below-average financial risk profile marked by high gearing, thin profit margins and stretched liquidity position, debt-funded capex plans for setting wind mills, highly fragmented and competitive nature of the industry with exposure to volatility in raw material prices. Going ahead, the ability of the company to improve its scale of operations as well as its profitability margins, reduce its gearing levels, improve the liquidity and efficient working capital management would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the Aruppukottai Sri Jayavilas limited'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

Aruppukottai Sri Jayavilas limited (ASJVL) was incorporated in 1951, in Aruppukottai , TamilNadu. ASJVL manufactures cotton and polyester-blended cotton yarn used for knitting and weaving. The installed capacity of spinning division is 70,080 spindles. They spin both Cotton Yarn ranging from counts 20s to 80's in Carded, Combed, Single and Double and Polyester/combed cotton Blended yarn ranging from Counts 40s to 80s. The company also engaged in operating bus service for local route and they have one Indian Oil Retail Outlets at Madurai .

ASJVL owns three windmills located near kudamkulam with combined capacity of 850 KW.

Mr.T.R.S.Karthikeyan, whole time director of the company has more than 2 decade of experience in the industry.

Key rating drivers:

- The company in existence since 66 years, has seen complete business cycle with established track record in the business and implies the company's ability to sustain with external factors.
- Experience of promoters of more than two decades has helped the company in building strong customer and supplier relationships. Established relationship with customers and suppliers help the company in uninterrupted raw material procurement and repeated orders from customer.
- The company is engaged in multi various activities such as Textile Spinning Mill and Bus Transport at Aruppukottai and Indian Oil Retail Outlet at Madurai in Tamilnadu.
- The operating revenue of the company is Rs.182.91 crs in FY17 as compared to Rs.192.82 crs in FY16.
- ASJVL's moderate Networth as on 31.03.2017 is Rs.16.78 crs.
- One account of debt funded capital structure, gearing of the company recorded as 3.48 times in FY17 on account of external borrowings
- Current ratio of the company stood at 0.74 times FY17 and 0.76 times in FY16.
- Textile Industry is highly fragmented because of the presence of large number of players which results in intense competition.
- The textile industry's profitability margins are highly correlated with fluctuations in raw material prices.

Company Financial Performance

As confirmed by the company, achieved sales from April'17 to Dec'17 is Rs.111.14 cr.

Key Financials:

Particulars	FY16 Audited	FY17 Audited
Net Revenue (Rs.Crs)	192.82	182.91
EBITDA (Rs.Crs)	13.01	8.27
PAT (Rs.Crs)	0.92	(0.93)
Tangible Net Worth (Rs.Crs)	17.72	16.78
Total Debt/TNW (Times)	3.70	3.48
Current Ratio (Times)	0.76	0.74

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

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based Cash Credit	Long Term	21.70	BWR B	NA	NA	NA
2	Term Loans-Existing		11.17				
3	Working capital demand loans		10.23				
4	Warehouse Receipts	Short Term	15.00	BWR A4	NA	NA	NA
5	Non-Fund Based LC(WC)	Short Term	5.60		NA	NA	NA
	Total		63.70	INR Sixty Three Crores and Seventy Lakhs Only			

Term loans and Working capital term loans o/s as on 12.02.18

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable



Hyperlink/Reference to Applicable Criteria

General Criteria

Manufacturing Companies

Approach to Financial Ratios

Short Term Debt

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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.

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