



Rating Rationale

Chennaiyappa Yarn Spinners Pvt. Ltd.

25 September 2017

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of Rs.33.79 crs of Chennaiyappa Yarn Spinners Pvt. Ltd.(CYSPL)

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous February 2017	Present
<u>Fund Based</u>					
Cash credit	17.50	17.50	Long term	BWR BB+ (Pronounced BWR Double B plus) Outlook: Stable	BWR BB+ (Pronounced BWR Double B plus) Outlook: Stable (Reaffirmation)
Stand by Line of Credit	3.00	3.00			
Term Loan -New	3.35	2.81			
Term Loans I	1.27	0.43			
Term Loan II	-	3.48			
Corporate Loans-Existing	2.74	2.07			
<u>Non-Fund based</u>					
Bank Guarantee	0.50	0.50	Short term	BWR A4+ (Pronounced BWR A four plus)	BWR A4+ (Pronounced BWR A four plus) (Reaffirmation)
LC(WC)	4.00	4.00			
Total	32.36	33.79		(INR Thirty Three Crores and Seventy Nine Lakhs only)	

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



Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, provisional financial of FY17 and projected financials of FY18 and publicly available information/clarifications provided by the company.

The rating derives strength from the extensive industry experience of the promoters and management, long track record of operations of the company with established clientele, diversified business profile and moderate net worth. The ratings are, however, constrained by CYSPL's modest scale of operations, high gearing, thin profit margins and stretched liquidity position, 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 and improve the liquidity would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the Chenniyappa Yarn Spinners Pvt. Ltd. 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.

Key rating drivers:

Strengths:

- Extensive experience of promoters of more than four 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.
- CYSPL's moderate Networth as on 31.03.2017 is Rs.20.53 crs.

Weakness:

- CYSPL has a moderate scale of operations as reflected by its total operating income of Rs.75.12 crore for the year FY17 (refers to the period April 1 to March 31). The spinning industry is highly fragmented because of the presence of large number of players which results in intense competition.
- Debt- Equity ratio has recorded as 1.57 times in FY17 on account of external borrowings however it includes the unsecured loan of Rs.0.16 crs from the directors.
- The intense competition limits the company's bargaining power with its customers. The textile industry's profitability margins are highly correlated with fluctuations in raw material prices.



About the Company

Chenniyappa Yarn Spinners Pvt. Ltd. was incorporated during February 2005 at Tirupur by and the commercial operations commenced in the year 2007. CYSPL is a manufacturer, exporter, importer and supplier of knitted fabrics and cotton yarn. The installed capacity of spinning division is 20,400 spindles. The installed capacity is to knit 9000 kgs of fabric per day. Apart from outsourcing of Knitting, the company also outsources dyeing of yarn and fabric.

CYSPL owns three windmills located in Dharapuram (2 Windmills) and Kanyakumari (1 windmill) with combined capacity of 2,200 KW.

Mr C. Subramaniam, Managing Director of the Company has more than 3 decade of experience in the industry and his wife Mrs S. Komathi and his mother Ms.C.Valliammal are other directors of the company.

Company Financial Performance

As per provisional financial of FY17, CYSPL has reported a profit after tax (PAT) of Rs.0.52crs. on Net Sales of Rs.75.12crs. as against profit after tax (PAT) of Rs.2.13 crs. on Net Sales of Rs.73.96crs. for FY16. Debt- Equity ratio is 1.57 times in FY17. Current Ratio stood at 1.16 times in FY17 and 1.32 times in FY16.

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	Rating (Feb'17)	Date in 2016	Date in 2015	Date in 2014
1	Cash Credit	Long Term	17.50	BWR BB+	BWR BB+	NA	NA	NA
2	Standby Line of credit		3.00					
3	Term Loan-New		2.81					
4	Term Loans I		0.43					

5	Term Loan II		3.48					
5	Corporate Loans-Existing		2.07					
6	Bank Guarantee		0.50	BWR A4+	BWR A4+	NA	NA	NA
7	Letter of Credit		4.00					
	Total		33.79	INR Thirty Three Crores and Seventy Nine Lakhs only				

Particulars	FY16 Audited	FY17 Provisional
Net Revenue (Rs.Crs)	73.96	75.12
EBITDA (Rs.Crs)	10.40	7.30
PAT (Rs.Crs)	2.13	0.52
Tangible Net Worth (Rs.Crs)	20.01	20.53
Total Debt/TNW (Times)	1.41	1.57
Current Ratio (Times)	1.32	1.16

Hyperlink/Reference to Applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<R.Varadarajan> <Chief Manager - Ratings>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.