

Rating Rationale

Chennaiyappa Yarn Spinners Pvt. Ltd.

16th March 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Chennaiyappa Yarn Spinners Pvt. Ltd.(CYSPL)

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<u>Fund Based</u>			
Cash credit	17.50	Long Term	BWR BB+ (Pronounced BWR Double B plus) Outlook: Stable
Stand by Line of Credit	3.00		
Term Loan -Fresh	3.35		
Term Loans-Existing	1.27		
Corporate Loans-Existing	2.74		
<u>Non-Fund based</u>			
Bank Guarantee	0.50	Short Term	BWR A4+ (Pronounced BWR A four plus)
LC(WC)	4.00		
Total	Rs. 32.36 Crores (Rupees Thirty Two Crores and Thirty Six 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 and projected financials up to FY18 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, adequate coverage ratios, moderate net worth and locational



advantage of the company. 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.

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

CYSPL has reported a profit after tax (PAT) of ₹2.13crs. on Net Sales of ₹73.96crs. for FY16 as against profit after tax (PAT) of ₹2.12 crs. on Net Sales of ₹73.84crs. for 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	2016	2015	2014
1	Cash Credit	Long Term	17.50	BWR BB+	NA	NA	NA
2	Standby Line of credit		3.00				
3	Term Loan-Fresh		3.35				
4	Term Loans-Existing		1.27				
5	Corporate Loans-Existing		2.74				
6	Bank Guarantee		0.50	BWR A4+	NA	NA	NA
7	Letter of Credit		4.00				

Hyperlink/Reference to Applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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

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