

Rating Rationale

Brickwork Ratings assigns ‘BWR BB-’ rating for Bank Loan facilities aggregating to ₹ 16.42 Cr of M/s Guru Ragavendra Textiles.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for Bank Loan facilities sanctioned by Canara Bank aggregating to ₹ 16.42 Cr of M/s Guru Ragavendra Textiles (‘The firm’ or ‘GRT’)

Facilities	Limits (₹ Cr)	Tenure	Rating
Fund Based Limits			
Open Cash Credit	15.50	Long Term	BWR BB- <i>(BWR Double B Minus)</i> Outlook: Stable
Term Loan*	0.92		
Total	16.42	INR Sixteen Crores and Forty Two Lakhs Only	

* O/s term loan as on Oct 26, 2016

BWR has principally relied upon the audited financial statements from FY13 to FY15 and Certified Provisionals of FY16, publicly available information and information/clarifications provided by the management.

The rating has factored, inter alia, the extensive experience of partners for more than two decades, long standing relationship with customers & suppliers, efficient working capital cycle and moderate gearing level. However the rating is constrained by intense competition from other organized and unorganized players in the industry, volatility in Cotton prices and inherent weakness of partnership constitution in terms of capital withdrawal by partners,.

Background:

M/s Guru Ragavendra Textiles (GRT) was established in 2013 by merging M/s Sri Ragavendra Textiles, M/s Skyline Textiles and M/s Guru Ragavendra Spinning Mills. M/s Guru Ragavendra Textiles Registered Office and Manufacturing Units are located at Coimbatore (Tamil Nadu). The firm is engaged in manufacturing of grey cloth and cotton yarn used in different textile industries to manufacture handloom products such as bed sheets, shirts etc. The firm has installed capacity of manufacturing 60,000 Kg cotton yarn and 5, 00,000 metres of grey cloth per month with ~ 90 % utilization capacity based on orders. Firm’s plant & machinery includes 9,000 Spindles, Ring frames & Auto corner machines, yarn conditional cleaning machines and packaging machines etc.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Firm procures cotton bales from different states such as Gujarat, Orissa and Karnataka. Firm's key customers are traders and agents in local markets and also from Ahmedabad.

Management Profile:

The firm is promoted by Mr. K V Thangavel & Mrs. Shanti. Both of them have more than 15 years of work experience in cotton yarn manufacturing business.

Financial Performance:

As per FY16 Provisional financials, GRT had reported net revenue of ₹ 75.63 Cr against ₹ 64.89 Cr in FY15. Operating profit margin and net profit margin of the firm were reported at 4.52 % and 0.47 % respectively. As of March 31, 2016, the firm's tangible net worth stood at ₹ 12.29 Cr. In FY16, debt equity of the firm continued to be moderate at 1.46 X. The firm is reported to have achieved revenue of ₹ 27.00 Cr in H1-FY17 and has orders worth ~ ₹ 6.00 Cr to be executed in one month.

Rating Outlook:

The outlook of the firm is expected to remain stable over the current year. Going forward, ability of the firm to scale up its operations and improve its profitability margins, to reduce the gearing, to improve its liquidity position by managing its working capital cycle effectively will remain the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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.