

## Rating Rationale

### Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 32.26 Cr of Jaya Velu Spinning Mills Pvt. Ltd.

Brickwork Ratings assigns the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of Jaya Velu Spinning Mills Private Limited (*JSMPL or the 'Company'*) financed by Canara Bank.

Facility *	Limits (₹ Cr)	Tenure	Rating
Fund Based- OCC Term Loan	9.00 20.72	Long Term	<b>BWR B</b> (Outlook: Stable)
Non Fund Based – Bank Guarantee	2.54	Short Term	<b>BWR A4</b> (BWR A Four)
<b>Total</b>	<b>32.26 (INR Thirty Two Crores &amp; Twenty Six Lakh only)</b>		

BWR has principally relied upon the audited financial results of JSMPL upto FY 13, provisional financials projected financials up to FY 15, information/clarification provided by the Firm and other publicly available information.

The rating factors, interalia, experience of directors in the cotton spinning industry, tie up with windmills to combat the problem of power shortage, safety award from Tamil Nadu Government for higher man days without accident and moderate capital structure of the Company. The Rating is however constrained by the limited scale of operation, almost stagnant growth of the Company and volatility in the cotton prices and the ability of the Company to absorb the same without affecting the margins.

#### Company Profile

Jaya Velu Spinning Mills Private Limited [JSMPL] was incorporated on 1994 by Mr. Pethinaidu Veluchamy, Mrs. R. Renuga Devi and her family. The Mill is situated at Mettilpatti Village, Tuticorin in the freehold lands of over an area of 47.12 acres. The Company is one of the modern Spinning Mills with an installed capacity of 39600 Spindles. It manufactures premium quality cotton yarn for Export & Domestic Markets.

#### Management Profile

The Company is currently managed by Mr.G.Rajaram, Mr. Gopal Dinakaran, Mr. Subburajulu, Ms. R.Renuga Devi, Mr. V. Prem Subburaj and Mr. G.Ravi.

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

Mr .G. Rajaram, is the Technical Director having 3 decades of experience in Textile Industry and is well versed with the activities of the Mill. His wife Mrs. R. Renuga Devi is the major shareholder of this company.

**Financials**

In FY 12-13, the Company registered a Turnover of Rs. 50.34 Cr compared to the turnover of Rs. 43.46 Cr in FY 11-12. In FY 12-13, the Company registered a profit of Rs. 1.38 Cr against a profit of Rs. 0.01 Cr in FY 12, thus recording a significant increase over the last year. The Company has a Tangible Net worth of Rs. 22.51 Cr as against a Tangible Net worth of Rs. 20.56 Cr in FY 13. The increase in Net worth is by way of accreditation of reserves. The Current Ratio of the Firm is above 1.

**Rating Outlook**

The outlook of the company is expected to be stable over the current year. Going forward, the company’s ability to increase its scale of operations profitably, maintain leverage structure and its ability to withstand the fluctuation in the raw material prices shall remain the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**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.