



Rating Rationale

Jayavelu Spinning Mills Pvt Ltd

3 January, 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 20.35 Crores of Jayavelu Spinning Mills Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March, 2015)	Present
Fund based Cash Credit	15.00	15.00	Long Term	BWR BB- Outlook: Stable	BWR BB- (Pronounced as BWR Double B minus) (Reaffirmed) Outlook: Stable
Term Loan I	7.19	1.72			
Term Loan II	2.43	0.96			
Term Loan III	2.20	1.34			
Term Loan IV	1.86	1.33			
Non Fund Based BG/ILC/FLC/PC/PCFC	(8.00)	(8.00)^	Short Term	BWR A4	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	28.68	20.35	INR Twenty Crores and Thirty Five Lakhs Only		

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

^Short Term facility of Rs.8.00 Crs is sub limit under long term facility.

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:



BWR has principally relied upon the audited financial results up to FY17 audited and information/clarification provided by the company and other publicly available information.

The rating continues to factor, inter alia, experience of directors in the cotton spinning industry, locational advantage, established relationship with customers and suppliers, satisfactory gearing and net worth, increased revenue. The rating is however constrained by reduced profit margins, negative debt coverage ratio, high cash conversion cycle, Cotton prices susceptible to volatility and intense competition in the industry.

Going forward, the company's ability to sustain the revenues and profitability, ensure prompt servicing of its debt obligations, improve effectively, manage its working capital and improve its overall credit profile would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths: Directors experience is more than 3 decades in the same line of business, Locational advantage for the company as the processing unit and spinning unit is located at textile hub. Increased net worth from Rs. 34.08 Crs in FY16 to Rs. 34.58 Crs in FY17 and improved revenues from Rs. 57.49 Crs in FY16 to Rs. 68.32 Crs in FY17.

Credit Risks: Reduced net profit and operating profit margins from 1.03% and 14.10% in FY16 to 0.80% and 12.48% in FY17, negative debt coverage ratio reported at 0.92 times in FY17, high cash conversion cycle reported at 133 days in FY17 and

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Jayavelu Spinning Mills 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

Jayavelu Spinning Mills Private Limited (JVSMPPL) 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 38400 Spindles. It manufactures premium quality cotton yarn for export and domestic markets. The main raw material required is ginned cotton. The company procures raw material for the spinning unit mainly from Gujarat, Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu. During peak arrivals the company also purchase from CCI

Management Profile

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

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 the company.

Company Financial Performance

As per FY17 audited the Company's sales have reported Rs. 68.29 Crs in FY17. The PAT has reported at Rs. 0.54 Crs in FY17. The Operating profit and Net profit margins reported 12.48 % and 0.82 % in FY17. The gearing level stood at 0.92 times in FY17. The coverage indicators such as ISCR and DSCR are of 1.98 times and 0.92 times in FY17. The current ratio stood at 1.06 times in FY17.

Rating History for the last three years

S.No	Instrument/Facility	Current Rating (2017)			Rating History		
		Type	Amount (₹ Crs)	Rating	2016	17, March, 2015	27, Dec, 2013
	Fund Based	Long Term	20.35	BWR BB- Outlook : Stable Reaffirmed	Not Rated	BWR BB-	BWR B
	Non Fund Based	Short Term	(8.00)	BWR A4 Reaffirmed	Not Rated	BWR A4	BWR A4
	Total		20.35	₹ Twenty Crores and Thirty Five Lakhs Only			



Status of non-cooperation with previous CRA (if applicable)-Reason and comments: Nil

Any other information : Nil

Key Financial Indicators

Key Parameters	Units	2014	2015	2016	2017
Result Type		Audited	Audited	Audited	Audited
Operating Revenue	Rs. In Crs	63.10	62.90	57.49	68.32
EBITDA	Rs. In Crs	9.80	8.49	8.11	8.53
PAT	Rs. In Crs	1.75	0.98	0.59	0.54
Tangible Net worth	Rs. In Crs	23.83	33.60	34.03	34.58
Total Debt/Tangible Net worth	Times	1.38	1.01	0.98	0.92
Current Ratio	Times	1.42	1.26	1.13	1.06

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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.