

Rating Rationale

Brickwork Ratings upgrades long term rating to ‘BWR BB-’ (Stable) from BWR B (Stable) and reaffirms ‘BWR A4’ as the short term rating for the Bank Loan Facilities aggregating to ₹ 28.68 Cr of Jayavelu Spinning Mills Pvt. Ltd.

Brickwork Ratings (BWR) has upgraded the long term **Rating**¹ and has reaffirmed the short term ratings for the aggregated Bank Loan Facilities of ₹ 28.68 Cr of Jayavelu Spinning Mills Pvt. Ltd (JVS MPL or the ‘Company’), as under:

Facility	Previous Limit (₹ Cr)	Present Limit (₹ Cr)	Tenure	Rating	Rating History (December, 2013)
Fund Based					
Cash Credit	9.00	15.00	Long Term	BWR BB- (Pronounced BWR Double B Minus)	BWR B (Pronounced BWR B)
Term Loan	20.72	13.68		Outlook: Stable (Upgraded)	Outlook: Stable
Non Fund Based					
BG/ILC/FLC/PC/PCFC	2.54	(8.00)*	Short Term	BWR A4 (Pronounced BWR A Four) (Reaffirmed)	BWR A4 (Pronounced BWR A Four)
Total	32.26	28.68	INR Twenty Eight Crores and Sixty Eight Lakhs Only		

*Short Term Facility of ₹8.00 Crs is sub limit under Long Term facility.

BWR has principally relied upon the audited financial results of JSMPL up to FY 14, projected financials up to FY15, FY16, information/clarification provided by the Company and other publicly available information.

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

The rating continues to factor, inter alia, experience of directors in the cotton spinning industry, tie-up with windmills to combat the problem of power shortage, locational advantage and moderate capital structure of the Company.

The Rating is however constrained by low sales volume considering the existence of the unit, volatility in the cotton prices and the ability of the Company to absorb the same without affecting the margins and intense competition in the industry.

Company Profile

Jayavelu Spinning Mills Private Limited [JVSMP] 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 & 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 the peak arrivals they also purchase from CCI.

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.

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 FY14, the Company registered a Turnover of ₹ 63.08 Crs compared to the turnover of ₹ 50.34 Crs in FY13. It has reported a net profit margin of 2.77 per cent and operating margin of 15.53 per cent for FY14. The total Net Worth stood at ₹ 23.83 Crs as on 31-3-2014.

The Company has reportedly achieved sales of ₹ 52.59 Crs for FY14-15 till Jan'15.

Rating Outlook

The rating reflects the position of the Company in the manufacturing segment of the Cotton industry it caters to. 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.

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