

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for Bank Loan Facilities aggregating ₹ 11.25 Cr of M/s KAC Yarn Pvt. Ltd.

Brickwork Ratings has assigned following **Ratings¹** for Bank Loan facilities of M/s. KAC Yarn Pvt. Ltd. ('KYPL' or 'The Company')

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Limits			
Cash Credit	9.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook: Stable)
Term Loan I	1.12*		
Term Loan II	0.13*		
Non-Fund Based Limits			
LC	1.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	11.25	INR Eleven Crores & Twenty Five Lakhs only	

LC - Letter of Credit

*Term Loans outstanding as on 12, October 2015.

BWR has primarily relied upon the audited financials up-to FY14, uncertified provisional financials of FY15 and projected financials up to FY17, publicly available information and the information/clarifications provided by the Company.

The ratings assigned derive its strengths from vast experience of the management, adequate liquidity position and established relationship with the suppliers and the customers. However, the ratings are constrained by modest scale of operation, a higher gearing level, a moderate net worth, elongated conversion cycle, highly fragmented and agro based industry.

Background:

M/s KAC Yarn Pvt. Ltd. was incorporated in the year 2006, located at Coimbatore, Tamil Nadu. The Company is engaged into spinning of yarn and fabrics. Company is utilizing 100% of installed capacities i.e. 20000 Spindles per annum and operating in 3 shifts.

Mr. Chinniagounder Parathasarathy is the Managing Director of the Company and has more than 2 decades of experience in the same line of business. The other Director Mr. P Bagyalakshmi is also well experienced and actively participates in the business.

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

Financial Performance:

As per provisional FY15 financials, net revenue from operations improved from Rs.31.68 Cr in FY14 to Rs.33.69 Cr in FY15. Operating and net profit margins have improved from 9.27% & 0.78% in FY14 to 9.32% & 1.15% in FY15 respectively. Tangible net-worth of the Company reported at Rs.6.49 Cr in FY15. In FY15, gearing level reported at 1.43X. Company has reported adequate liquidity position reflected from current ratio of 1.40X in FY15. Operation cycle of the Company is at 115 days in FY15.

Rating Outlook:

The outlook of the Company is expected to be stable for the next one year. Going forward, ability of the company to improve scale of operations, to improve gearing level, to improve the profitability margins further and to manage its working capital effectively will be the key rating sensitivities.

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