



Rating Rationale

Kumaran Textiles

14 March 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of M/s Kumaran Textiles.

Particulars

Facility Rated	Amount (₹ Cr)		Tenure	Rating [^]	
	Previous	Present		Previous Mar 21, 2016	Present
Fund Based					
Cash Credit	12.00	15.00	Long Term	BWR BB (BWR Double B) Outlook: Stable	BWR BB (BWR Double B) Outlook: Stable Reaffirmation
Term Loan-I	13.82	11.19*			
Term Loan-II	0.02	1.94*			
LC Discounting	10.00	-			
Non - Fund Based					
Bank Guarantee	3.56	3.38	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmation
Total	39.40	31.51	(Rupees Thirty One Crores and Fifty One Lakhs Only)		

*Term Loans o/s amounts as on Feb 14, 2017

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed:

Brickwork Ratings reaffirms ‘BWR BB’ to the long term facilities and “A4” to the short term facilities of M/S Kumaran Textiles.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The ratings continue to derive its strength from extensive experience of the partners, long standing relationship with clientele, Y-o-Y growth in revenue, comfortable debt protection metrics, moderate financial risk and reduced operating cycle. However, the ratings are constrained by fluctuating profitability margins, intense working capital requirement nature of business, price fluctuation risk associated with cotton yarn, inherent constitutional risk of being a partnership firm and stiff competition from organized and unorganized grey cloth manufacturers in the market.



Rating Outlook: Stable

BWR believes that the business risk profile of M/s Kumaran Textiles 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

M/s Kumaran Textiles was established as a Partnership firm in the year 2006 at Tiruppur, Tamil Nadu. The firm is managed by family members as partners namely Mr. P R Nachimuthu, Mr. S V Siva Subramaniam, Mr. S N Paramasivam and Mr. N S Tamilselvai. Mr. S N Paramasivam is the managing partner of the firm and others are also actively involved in day to day operations of the firm. The firm is engaged in manufacturing and trading of grey cloth. The firm has 48 air jet looms (both Sujezer and Yarjet) with an installed capacity of ~ 44,000 meters per day and utilization capacity of ~ 25,000 meters per day. M/s Kumaran Sizing Mills and M/s Prabath Spinners India (P) Ltd are associates of the firm.

Firm's Financial Performance

The operating income of the firm was at ₹ 121.45 Crores in FY16 against ₹ 85.58 Crores in FY15. Firm has reported net profit of ₹ 2.20 Crores in FY16 against ₹ 3.04 Crores in FY15. The tangible net worth of firm stood at ₹ 15.68 Crores in FY16 against ₹ 13.36 Crores in FY15. Gearing level of the firm improved from 2.22 X in FY15 to 1.78 X in FY16.

Rating History for the last three years (including withdrawn/suspended ratings)

Instrument/ Facility	Current Rating (2017)			Rating History		
	Type	Amount (₹ Cr)	Rating	2016	2015	2014
Fund Based	Long Term	28.13	BWR BB (BWR Double B) Outlook: Stable Reaffirmation	BWR BB (BWR Double B) Outlook:Stable	BWR BB- (BWR Double B Minus) Outlook: Stable	BWR BB- (BWR Double B Minus) Outlook: Stable
Non-Fund Based	Short Term	3.38	BWR A4 (BWR A Four) Reaffirmation	BWR A4 (BWR A Four) Reaffirmation	BWR A4 (BWR A Four)	BWR A4 (BWR A Four)



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)

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For print and digital media

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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 ₹ 9, 30, 000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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