Rating Rationale

Brickwork Ratings assigns long term rating of BWR BB- and a short term rating of A4 with a stable outlook for the Bank Loan facilities amounting to ₹ 75 Cr of Narayan Spinning Mills Pvt Ltd

Brickwork Ratings has assigned **Ratings**[1] for the bank loan facilities of Rs. 75.00 Crores (Rupees Seventy Five Crores Only) of Narayan Spinning Mills Pvt. Ltd. (the "Company" or "NSMPL") for the below bank loan facilities from State Bank of India Ltd as follows:

Facility	Sanctioned Limit (Rs Crs)	Tenure	Rating
Fund Based Cash Credit Term Loan Term Loan (Proposed)	 5.00 24.79 43.91	**Long Term**	**BWR BB-** (Pronounced as Double B Minus) **Outlook : Stable**
Non Fund Based Bank Guarantee	 1.30	**Short Term**	**BWR A4** (Pronounced as A Four)
Total	**75.00**	**Rs Seventy Five Crores Only**	

BWR has essentially relied upon the audited financial results up to FY15, projected financials of the Company up to FY18, publicly available information and clarification provided by the Company's management.
The rating draws its strengths from vast experience of the promoter in the industry, presence in the agro based industry with group companies part of value chain, helping the company to procure raw materials internally at lower cost, and expected offering of better quality value added products post the proposed expansion. The rating is, however, constrained by product and customer concentration risk, as the company mainly caters in cotton yarn and is focused on selling in domestic market, susceptibility of margins to adverse movement of raw material prices and company is bound by the risk of change in climatic conditions, a deficit in rainfall can result in supply shortages, resulting in an increase in prices and larger government intervention.

Background
Narayan Spinning Mills Pvt. Ltd. established in 2013 is based in Amreli, Gujarat. The Company is a Manufacturer, Supplier and Exporter of Cotton Yarn. Mill is currently equipped with a production capacity of 17280 spindles per annum. Mill is competent in producing 20s and 40s count carded and combed hosiery and weaving cotton yarn.

Expansion Details
Company is undergoing expansion and is expecting to complete the same and start the enhanced capacity by May/June 2017. Company proposed to infuse additional capital to the tune of Rs 11.66 Crs taking the overall capital level to Rs 21.50 Crs post expansion.

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

Company plans to take an additional debt of Rs 39.00 Crs for expansion, taking the overall debts to Rs. 60.67 post expansion. Under the expansion plan, Company aims to achieve the below credentials post completion;

	Existing Capacity	Proposed Capacity after Expansion	Total
Spindles	17280	16320	33600
Metric Tonnes	3480	3960	7440
Warehouse (in Bales)	7000	8000	15000
Yarn Type	65% Normal Yarn 35% Combed Yarn	100% Combed Compact Yarn	-

Financial Performance

For FY15, Company reported net sales of Rs 60.37 Crs and reported net profit of Rs 0.06 Crs. Tangible Net-worth of the company for FY15 is Rs 7.79 Crs. For FY15, ISCR is at 2.37x and DSCR at 1.61x.

Rating Outlook

The outlook is expected to be stable over the year. Going forward the ability of the company to increase the scale of operations, timely execute the expansion process and commence the added capacity, increase profitability, strengthen the capital structure by infusing funds as projected and maintain working capital efficiently would be the key rating sensitivities.

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