

## Rating Rationale

### Brickwork Ratings reaffirms the ratings at 'BWR B+/A4' for Bank Loan Facilities of Raaghavendra Spin Cot Mills.

Brickwork Ratings has reaffirmed the following **Ratings<sup>1</sup>** for Bank Loan facilities of Raaghavendra Spin Cot Mills

Facility	Previous Limits (₹ Cr)	Present Limit (₹ Cr)	Tenure	Previous Rating (July 2014)	Present Rating
<u>Fund Based</u> <b>Cash Credit</b> <b>Term Loan</b>	10.00 2.19	<b>10.00</b> <b>1.41</b>	<b>Long</b> <b>Term</b>	BWR B+ (Pronounced BWR B Plus) (Outlook: Stable)	<b>Reaffirmed at</b> <b>BWR B+</b> <b>(Pronounced BWR B</b> <b>Plus)</b> <b>(Outlook: Stable)</b>
<u>Fund Based</u> <b>ODBD</b> (Sublimit of Cash Credit) <b>FDB/FBE</b> (Sublimit of Cash Credit)	(3.50) (1.00)	<b>(5.00)</b> -	<b>Short</b> <b>Term</b>	BWR A4 (Pronounced BWR A Four)	<b>Reaffirmed at</b> <b>BWR A4</b> <b>(Pronounced BWR A</b> <b>Four)</b>
<b>Total</b>	12.19	<b>11.41</b>	<b>INR Eleven Crores and Forty One Lakhs Only</b>		

*The Term Loan comprise of two term loans o/s at ₹1.24 crores and ₹0.17 crores as on May 30, 2016*

BWR has principally relied upon the audited financials of upto FY15, publicly available information and information/clarifications provided by the firm's management.

The rating continues to factor, promoters' experience in the ginning industry, favorable project location given the proximity to the cotton producing region. However, the rating is constrained by limited track record, small scale of operations, low capital levels resulting in high gearing level, low profitability margins due to limited pricing power, constitution of the firm being a partnership, working capital intensive nature of operations, fragmented and intensively competitive industry.

#### Background:

Raaghavendra Spin Cot Mills (RSCM), a partnership concern was established in February 2011 commenced its operations in January 2012. The firm is engaged in ginning and pressing of raw cotton (kappas) to make cotton bales. The firm's registered office and ginning mill (TMC unit)

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

are located at Guntur, Andhra Pradesh and has installed 27 modern “Bajaj golden jubilee gins” with a ginning & pressing capacity of 300 bales per day. Mr. Katta Koti Reddy, Mr. Kandula R.V.V.N.R Gupta, Ms. Gunda Sudha Rani and Mr. Kalli Sambhi Reddy are the partners of the firm.

### Financial Performance:

The net sales from operations is ₹55.22 crores in FY15 as compared to ₹53.17 crores in FY14. The operating profit has decreased to ₹1.76 crores in FY15 from ₹2.21 crores in FY14. The net profit has remained same at ₹0.13 crores in FY15 and FY14. Partner's capital of the firm stood at ₹2.74 crores as on March 31, 2015.

### Rating Outlook:

The outlook is expected to be stable over the current year. Going forward the ability of the firm to enhance scale of operations, improve profitability, strengthen its capital structure, manage its working capital effectively shall be the key rating sensitivities.

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