



## Rating Rationale

### Saravanagiri Spinning Mill Private Limited (Formerly Known as Saravanagiri Spinning Mill Ltd)

17 Sep 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 52.20 Crores of Saravanagiri Spinning Mill Private Limited (SSMPL or ‘the Company’).

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2017)	Present
Fund based	28.30	50.70	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook:Stable)	Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook:Stable)
Non Fund Based	1.00	1.50	Short Term	BWR A4 (Pronounced as BWR Single A Four)	Reaffirmation of BWR A4 (Pronounced as BWR Single A Four)
Total	29.30	52.20	₹ Fifty Two Crores Twenty Lakhs Only		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Ratings: Reaffirmed

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating continues to derive strength from promoters’ experience for more than three decades in the same line of business, regular orders from existing clients and diversified customer base (Top five customers contribute 44% of total revenue in FY18), besides moderate cash flow from operations to meet debt obligations. However, the rating is constrained by relatively small scale of operations, and ongoing capex likely to increase debt burden; however, the promoters have proposed to infuse capital to the extent of ₹ 8 Crs in FY19. The less financial flexibility due to utilization of working capital by more than 90% is also a limiting factor. Going forward, the Company’s ability to sustain & maintain profitability, and successful completion of capital expenditure in FY19 without time and cost overruns will be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:



- Extensive experience of the promoters in the textile business for more than three decades; as a result the Company could strengthen customers base in short span and build strong relationship with suppliers for uninterrupted raw material supply.
- Predominantly in to viscose yarn manufacturing since inception, the Company has operating flexibility by way of manufacturing blended yarn as and when required from the market.

#### **Credit Risks:**

- Relatively low scale of operations in fragmented industry, it is a challenge to market textile products and it is a thin margin business. However, the Company has scope to improve profitability margin by way of reducing power cost, and operational efficiency by modernizing machineries.
- Due to capital expenditure, the Company's total debt to equity ratio stands at 3X in FY18 and is likely to increase in FY19.,However, the Company has proposed to infuse capital of ₹ 8 Crs in FY19.

#### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

#### **Rating Outlook: *Stable***

BWR believes the **Saravanagiri Spinning Mill Private Limited (Formerly Known as Saravanagiri Spinning Mill Ltd.)** business risk profile 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**

Saravanagiri Spinning Mill Limited (SSMPL) was incorporated in 2011 and subsequently in 2016 it was reconstituted as a private limited company. Its registered office is in Erode, Tamilnadu and plant is located in Veppadai. It is a spinning mill unit, it manufactures viscose yarn predominantly since COD in Aug 2015. Currently it has 7 frames ( Each frame has 1824 spindles) with aggregate spindles of 12,800. However, in FY19, the Company has proposed to add three more frames in its capacity.

#### **Company Financial Performance**

The Company has recorded operating income of ₹ 53.07 Crs in FY18 against ₹ 54.70 Crores in FY17 registering a flat revenue over the previous year and PAT of ₹ 0.87 Crs against ₹ 0.43 Crs in FY17.



### Rating History for the last three years

Sl No	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	20-9-2017	28-Dec-2016	25-Aug-2015
1	Fund Based	Long Term	50.70	BWR BB (Stable)	BWR BB (Stable)	BWR BB- (Stable)	BWR BB- (Stable)
2	Non Fund Based	Short Term	1.50	BWR A4	BWR A4	BWR A4	BWR A4
		Total	52.20				

### Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Vidya Shankar Chief General Manager - Ratings	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**Saravanagiri Spinning Mill Pvt Ltd**

**Bank wise break up**

**Annexure I**

Type of Facility (₹ in Cr)		Bank of India O/s as of 31-Aug-2018
Fund Based	Cash Credit	9.00
	Term Loan 1	16.70
	Term Loan 2	25.00*
Long Term Total		50.70
Non Fund Based	Letter of Credit (Sublimit of TL II, one time capex LC)	(11.49)
	Bank Guarantee	1.50
Short Term Total		1.50
Total (Short & Long)		52.20

\*The Company will take full disbursement on or before Dec 2018.

**Saravanagiri Spinning Mills Pvt Ltd**

**Key Financial Indicators**

**Annexure II**

Key Parameters	Units	FY17 (A)	FY18 (A)
Operating Revenue	₹ Crs	54.70	53.07
EBITDA	₹ Crs	6.81	7.70
PAT	₹ Crs	0.43	0.87
Tangible Net worth	₹ Crs	10.49	14.51
Total Debt/Tangible Net worth	Times	3.18	3.00
Current Ratio	Times	1.05	1.14

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

#### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.