

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities amounting to ₹ 29 Cr of Saravanagiri Spinning Mill Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan facilities of Saravanagiri Spinning Mill Ltd (SSML or the 'Company'):

| Facility | Limits (₹ Cr) | Tenure | Rating |
|------------------------|------------------|--------------------------------------|--|
| <u>Fund Based</u> | | Long Term | BWR BB- (Pronounced BWR Double B minus) (Outlook:Stable) |
| Cash Credit | 2.00 | | |
| Term Loans | 23.00 | | |
| <u>Non- Fund Based</u> | | Short Term | BWR A4 (Pronounced BWR A Four) |
| Bank Guarantee | 4.00 | | |
| Total | 29.00 | (INR Twenty Nine Crores only) | |

BWR has principally relied upon the audited financial results up to FY14, projected financials up to FY18, publicly available information and information/ clarifications provided by the Company's management.

The rating positively factors the extensive business experience of the promoters, successful completion of the project, recent commencement of operations of the company's maiden spinning mill and the locational advantages in terms of proximity of the mill to major cotton growing areas. However, the rating is constrained by SSML's limited track of operations, seasonal availability of cotton, susceptibility of performance to fluctuations in raw material prices and working capital intensive nature of operations.

Background:

Saravanagiri Spinning Mill Limited (SSML) was incorporated in 2011 and is registered & located at Erode, Tamil Nadu. The company is engaged in manufacturing yarn in various sizes such as 40", 34" and 30" from lint cotton, viscose, polyester viscose and rayon. The plant is located at Erode, Tamil Nadu with an installed capacity of 12768 spindles. The facility is spread over 10.50 acres of land with a 55800 sq. ft. office and 22000 sq. ft. fully air conditioned plant. Commercial production commenced from May 2015 and currently the company produces maximum of 6800 kgs/day at a utilization level of ~60%. The company procures raw material from neighbouring states like Andhra Pradesh, Karnataka and Gujarat.

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

Management:

SSML’s directors are Mr. R. K. Sivananthan, Mr. M. Lalitkumar and Mr. E. P. Shanmugasundaram. Mr. R. K. Sivananthan is the Managing Director and has a business experience of ~40 years in the Textile sector. Mr. M. Lalitkumar and Mr. E. P. Shanmugasundaram both have over 35 and 15 years of experience respectively in the same line of business.

Financial Performance

FY16 will be the first year of commercial operations for the company. SSML expects to achieve revenue of around Rs.16.49 Crores for 11MFY16.

Rating Outlook:

The rating outlook is expected to be stable over the current year .Going forward, the ability of the company to successfully stabilize operations, achieve optimum capacity utilization, meet the projected revenues and profitability, ensure timely debt servicing and effectively manage its working capital will be the key rating sensitivities.

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| Analyst Contact | Relationship Contact |
| analyst@brickworkratings.com | bd@brickworkratings.com |
| Phone | Media Contact |
| 1-860-425-2742 | media@brickworkratings.com |

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