

Rating Rationale

Brickwork Ratings reaffirms rating at “BWR BB-/A4’ for the Bank Loan Facilities of Saravanagiri Spinning Mills Pvt. Ltd. (SSMPL) enhanced from ₹ 29.00 Cr to ₹ 31.00 Cr

Brickwork Ratings (BWR) on a review has reaffirmed the following **Ratings¹** for the Bank Loan Facilities of ₹31.00 crs. enhanced from ₹29.00 crs of **Saravanagiri Spinning Mills Pvt.Ltd. (SSMPL or ‘the company’)**

Facility	Previous Limits (₹Cr)	Present Limits (₹Cr)	Tenure	Ratings	Rating History August 2015
<u>Fund Based</u> Cash Credit	2.00	9.00	Long Term	Reaffirmed at BWR BB- (Pronounced BWR Double B Minus) (Outlook : Stable)	BWR BB- (Pronounced BWR Double B Minus) Outlook – Stable
Term Loan	23.00	21.00			
<u>Non-fund Based</u> Bank Guarantee	4.00	1.00	Short Term	Reaffirmed at BWR A4 (Pronounced BWR A four)	BWR A4 (Pronounced BWR A four)
Total	29.00	31.00	INR Thirty One Crores Only		

BWR has principally relied upon the audited financial results of FY15, projected financials of FY17 to FY19 and information /clarifications provided by the company.

The rating has factored the extensive experience of the promoters in the spinning industry, well-established clientele, moderate net worth and improved revenue levels for FY16. The rating is constrained by small scale of operations in a highly fragmented industry, limited track record of operations, high gearing and susceptibility of profit margins to volatile raw material prices.

Background

Saravanagiri Spinning Mill Limited (SSML) was incorporated in 2011 and the company has been converted into a Private Ltd. Company on 26th February, 2016 is registered & located at Erode, Tamilnadu. The company is engaged in manufacturing viscose yarn in various counts. The installed capacity of the unit is 12768 spindles. The commercial production of the unit commenced from May, 2015 and the capacity utilization of the unit is at 98%. The company procures raw material from neighboring states like Andhra Pradesh, Karnataka and Gujarat.

Management Profile

SSML’s directors are Mr. R. K. Sivanathan, Mr. M. Lalikumar and Mr.E.P. Shanmugasundaram.

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

Mr.R.K.Sivanathan is the Managing Director and has a business experience of more than four decades in the textile sector. Mr.M.Lalitikumar and Mr.E.P.Shanmugasundaram both have over 35 and 15 years of experience respectively in the same line of business.

Financial Performance

As per the audited financials of FY16, SSML has reported net Sales of ₹23.01 crs with a PAT of ₹22.65 crs in its first year of operations. The operating profit margin is at 14.06%. Tangible net worth as on March 31, 2016 was ₹10.07 crs. Debt to Equity ratio was at 3.16 times as on FY16. Current ratio has improved to 1.10 times as on FY16 from 0.98 times as on FY15.

Outlook

Going forward, the ability of the firm to increase its scale of operations, improve profitability margins and improve its financial profile would be the key rating sensitivities.

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

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