

## Rating Rationale

### Brickwork Ratings assigns long term rating of 'BWR BB' for the Bank Loan Facilities amounting ₹12.21 Cr of Siva Mills

Brickwork Ratings (BWR) has assigned the **Rating<sup>1</sup>** for Bank Loan Facilities of Siva Mills (SM or “the firm”) availed from Bank of India as follows:

Facility	Limits (₹ Cr)	Tenure	Rating <sup>1</sup>
<b>Fund Based:</b>			
Term Loan I *	0.04	Long Term	<b>BWR BB</b> (Pronounced BWR Double B) <b>Outlook: Stable</b>
Term Loan II *	1.17		
Cash Credit	11.00		
<b>Total</b>	<b>12.21</b>	<b>INR Twelve Crores and Twenty One Lakhs Only</b>	

Note: \* Term Loan outstanding as on September 14, 2016.

BWR has principally relied upon the audited financial results up to FY15, provisional financial statements of FY16, publicly available information and information/clarifications provided by the firm’s management.

The rating has factored, inter alia, experienced management team, year on year revenue growth and well established relationship with raw material suppliers and customers. However the rating is constrained by moderate scale of operations, working capital intensive nature of business and *intense competition* in the industry.

#### Background:

Siva Mills is a partnership firm established in 2009 and based in Tirupur, Tamil Nadu. The firm has two partners namely Mr. A. K. Jeyaprakash (Managing Partner) and Mr. K. Hariharan (Partner). The firm is into manufacturing of cotton yarn. The spinning mill of the firm is in Tirupur with production capacity of 15000 spindles per day and with annual production capacity of 50 Lakh kilograms. The firm has nearly 250 workers with present capacity utilization of ~85%. The firm procures raw material i.e. cotton from cotton traders belonging to Andhra Pradesh and Karnataka. The firm supplies manufactured yarn to various textile mills throughout India.

#### Financial Performance:

Net Sales of the firm was ₹ 29.60 Cr in FY15 as against ₹ 24.20 Cr in FY14. The firm has reported operating profit margin of 9.27% and net profit margin of 2.01% in FY15. The debt to tangible net worth of the firm was 1.68 times in FY15 as against 2.19 times in FY14. The firm’s tangible net worth stood at ₹6.75 Cr as on March 31, 2015.

On provisional basis, the firm has achieved net sales of ₹74.71 Cr in FY16.

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

### Rating Outlook:

The outlook is expected to be stable over the current financial year. Going forward, ability of the firm to increase its scale of operation, *to strengthen its capital structure and to improve profit margins* in an intensely competitive industry will remain the key rating sensitivities.

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