

Rating Rationale

Brickwork Ratings Reaffirms the Rating "BWR B+/A4" for the Bank Loan facilities aggregating to ₹ 12.24 Cr of Sre Vengadalakshmi Spinners

Brickwork Ratings has revised the following **Ratings¹** for Bank Loan facilities amounting to ₹12.24 Crores of Sre Vengadalakshmi Spinners *santioned by Indian Bank.*

Facility	Limits (₹ Crores)		Tenure	Rating
	Previous	Present		
Fund Based Cash Credit Term Loan	7.85 0.94	11.00 1.04	Long Term	BWR B+ (Pronounced BWR Single B Plus) (Outlook-Stable) Reaffirmed
Non-Fund Based ILC Guarantee	1.00 0.08	0.17 0.03	Short Term	BWR A4 (Pronounced BWR A Four) Reaffirmed
Total	9.87	12.24	INR Twelve Crores Twenty Four Lakhs only	

BWR has principally relied upon the audited financial results up to FY15 and the publicly available information/clarifications provided by the firm's management.

The rating continues to factor the experience of the proprietor in the business, long existence of the firm, increase in networth in FY15 and expansion of the customer base. The ratings are however, constrained by small scale of operations, low profitability margins and high gearing ratio in FY15.

Background:

Sre Vengadalakshmi Spinners (SVS) was established in the year 1999 as a proprietorship concern by Mrs. R. Pushpa. The office and the factory are situated in Coimbatore. The manufacturing unit is around 25000 Sqft and a premises of 12000 Sqft has been taken on lease for additional capacities. The firm is mainly engaged in the manufacture of cotton yarns of different counts. The installed capacities of both the facilities are 18000 spindles with the utilized capacity of 200 tons per month. The firm directly markets its products weaving units in Somanur, Coimbatore, Tirupur etc and also many parts of Maharashtra, Calcutta, Madhya Pradesh.

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

Financial Performance:

During FY15, the total revenue of the company was ₹37.40 crores. The operating profit margin is 5% in FY15. The debt equity ratio is 2.24 times. The tangible net worth is ₹4.96 Crores as at 31st March, 2015.

Rating Outlook:

Going forward, the ability of the company to improve scale of operations, profitability and to improve its capital structure will remain the key rating sensitivities.

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