

Rating Rationale

Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities aggregating ₹69.75 Cr of Sri Sai Balaji Spintex India Pvt. Ltd

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of ₹69.75 Crores for Sri Sai Balaji Spintex India Pvt Ltd (**"SSBSPL" or "the Company"**):

Bank Facilities	Total Amount in (₹ Cr)	Tenure	Rating
Fund Based Limits			
Consolidated Term Loan	35.10	Long Term	BWR B (Pronounced as BWR Single B) Outlook:Stable
Demand Loan	4.50		
Cash Credit	29.00		
Non-fund Based Limit			
BG	1.15	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	69.75	INR Sixty Nine Crores and Seventy Five Lakhs only	

BWR has essentially relied upon the audited financial results of the company upto FY15, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the extensive industry experience of the promoters and longstanding relationships with clients and suppliers. These rating strengths are partially offset by the limited operational track record, competition from organized and unorganized players in the industry and susceptibility of operating margin to volatility in raw material prices.

Background:

Sri Sai Balaji Spintex (India) Private Limited (SSBSPL) was incorporated in 2010 at Guntur, Andhra Pradesh. The Company manufactures yarn from the cotton fibres and it has a spinning unit in Guntur. The company purchases 80% of raw materials (i.e., Lint) from dealers and 20% (i.e., Kappas) from the local farmers. SSBSPL has a production capacity of 15 tons per day with an installed capacity of 27360 spindles and current capacity utilisation is ~99.50%. The company's key customers are located in Guntur, Ahmadabad and Indore.

Promoters Profile:

Mr. N.V.Nageswarao is the Executive Chairman and Mr. K. Butchaiah is the Managing Director, Ms. N.Padmavathi and Mr. K.Mahesh Kumar are the other two Directors of the company.

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

Financial Performance:

SSBSPL reported Net Revenue of Rs. 96.10 Crs and PAT of Rs 2.81 Crs in FY15 as against Net Revenue of Rs.99.09 Crs and PAT of Rs 2.59 Crs in FY14. On a provisional basis, the company has achieved revenue of around Rs 75.00 Crs for 10MFY16.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the Company's ability to generate sufficient cash accruals to meet its debt obligations on time, increase its scale of operations, improve profitability, strengthen its financial risk profile and manage its working capital efficiently 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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