

Rating Rationale

Sri Sangeetha Mills

28th March 2017

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs. 7.62 Cr of Sri Sangeetha Mills

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous (Sep' 2015)	Present (Mar' 2017)		Previous (Sep' 2015)	Present (Mar' 2017)
Fund Based			Long Term	BWR B+ (BWR B Plus) Outlook: Stable	BWR B+ (BWR B Plus) Outlook: Stable (Reaffirmed)
Cash Credit	5.00	6.00			
Term Loan I	0.11	Closed			
Term Loan II	0.21	0.05			
Term Loan (New)	-	0.07			
Non Fund Based			Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) (Reaffirmed)
Inland Letter of Credit	1.50	1.50			
Total	6.82	Rs. 7.62 Crore (Rupees Seven Crore and Sixty Two Lakhs Only)			

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note: The aforesaid facilities are availed from Corporation Bank, Coimbatore. In December 2016, due to non-receipt of required information for its review the rating was put under rating not reviewed. New term loan was availed for the purchase of 800 KVA transformer.

Rating Reaffirmed

Brickwork Ratings (BWR) has reaffirmed the rating for the bank loan facilities amounting to ₹7.62 Cr of Sri Sangeetha Mills ('SSM' or 'the firm').

Rationale/Description of Key Rating Drivers:

BWR has essentially relied upon the audited financial results of FY14, FY15, FY16 and projections for FY17 of Sri Sangeetha Mills, publicly available information and information/clarifications provided by the firm's management.

The rating considers the steady increase in firm's revenue over the past years, its improved networth apart from the partner's experience in the yarn manufacturing and location advantage being situated in textile hub. The rating is, however, constrained by its increased working capital



cycle mainly due to receivable realization, customer concentration and scale of operations in a competitive industry.

Rating Outlook: Stable

BWR believes the **Sri Sangeetha Mills** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Going forward, the ability of the firm to maintain its growth in a competitive industry, manage its working capital cycle efficiently and sustain the utilization level will be the key rating sensitivities.

About the Firm

Sri Sangeetha Mills, a partnership firm, was established in the year 2004. The firm is located in Kaduvettipalyam, Coimbatore (Tamilnadu) and is engaged in manufacturing of yarn. The manufacturing unit of the firm is located in Coimbatore and has an installed capacity of producing 3500 Kg/day of yarn. The firm has utilized 90% of its installed capacity for operations in FY16. It functions in 3 shifts through a workforce of 180 employees and 25 official staffs. The firm caters to clients within the state of Tamilnadu.

The partners of the firm are Mr. M Rangasamy, Mrs. R Kalamani, Mr. K Muthusamy, Mr. R Krishnasamy, Mrs. M Maheshwari and Mr. R Kanagaraj. Mr. Rangasamy and Mr. Krishnasamy has over two decades of experience in the line of business and the managerial body as a whole have over a decade of experience.

Financial Performance

As per the audited financials of FY16, the revenue of the firm has grown from ₹ 27.86 Cr in FY15 to ₹ 32.80 Cr in FY16. Operating profit margin has improved from 5.59% in FY15 to 7.11% in FY16, however, the net profit margin has declined marginally from 3.39% in FY15 to 3.14% in FY16. Conversion cycle of the firm has grown from less than four months in FY15 to four months in FY16 on account of increased receivable days. The tangible net-worth stands at ₹ 7.45 Cr as on 31st March, 2016.

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	6.00	BWR B+ (Outlook: Stable)	RNR	BWR B+ (Outlook: Stable)	NIL
2	Term Loan		0.12				
3	Inland Letter of Credit	Short Term	1.50	BWR A4		BWR A4	

Note: RNR – Rating Not Review



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| <p>Hyperlink/Reference</p> <ul style="list-style-type: none"> • General Criteria • Approach to Financial Ratios | <p>to</p> | <p>Applicable</p> <ul style="list-style-type: none"> • Manufacturing Companies | <p>Criteria</p> |
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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.