



## Rating Rationale

Aruppukottai Sri Jayavilas limited

26 Apr 2019

**Brickwork Ratings upgrades ratings for the long term and reaffirms the short term Bank Loan Facilities of ₹52.06 crs of Aruppukottai Sri Jayavilas limited.(ASJVL)**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb 2018)	Present
Fund based	43.10	38.06	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Upgraded
	15.00	-	Short Term	BWR A4 (Pronounced as BWR A four)	BWR A4 (Pronounced as BWR A four) Reaffirmed
Non Fund Based	5.60	14.00	Short Term		
<b>Total</b>	<b>63.70</b>	<b>52.06</b>	<b>INR Fifty Two Crores and Six Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I



## **Ratings: Long term rating Upgraded and short term rating Reaffirmed**

### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the audited financial results up to FY18 and projected financial up to FY20 and publicly available information/clarifications provided by the company.

The rating upgrade derives comfort from the extensive industry experience of the promoters and management, long track record of operations of the company with established clientele, diversified business profile, improvement in net worth and debt protection metrics. The ratings are, however, constrained by ASJL's fluctuating revenue levels, below-average financial risk profile marked by high gearing, thin profit margins and stretched liquidity position, debt-funded capex plans for setting wind mills, highly fragmented and competitive nature of the industry with exposure to volatility in raw material prices. Going ahead, the ability of the company to improve its scale of operations as well as its profitability margins, reduce its gearing levels, improve the liquidity and efficient working capital management would be the key rating sensitivities.

### **Description of Key Rating Drivers**

- **Credit Strengths:**

- The company is in existence for more than six decades, has seen complete business cycle with established track record in the business and implies the company's ability to sustain with external factors.
- Experience of promoters of more than five decades has helped the company in building strong customer and supplier relationships. Established relationship with customers and suppliers help the company in uninterrupted raw material procurement and repeated orders from customer.
- The company is engaged in multifarious activities such as Textile Spinning Mill, Transport operator (Bus Transport at Aruppukottai) and Indian Oil Retail Outlet at Madurai in Tamilnadu.
- Tangible Networth of the company has increased to Rs.19.72 crs.in FY18 from Rs.16.78 crs in FY17.
- The operating profit margin of 5.84% and net profit margin of 1.61% in FY18, improved from 4.52% and (0.51)% in FY17, respectively.



□ The debt protection metrics has improved to ISCR and DSCR at 1.45 times and 1.02 times in FY18 as compared to 1.23 times and 0.78 times in FY17.

● **Credit Risks:**

□ The operating revenue of the company is fluctuates as Rs.181.93 crs in FY18 and Rs.182.91 crs in FY17.

□ One account of debt funded capital structure, gearing of the company recorded as 2.93 times in FY18 on account of external borrowings and it expected to improve in FY19 through unsecured loans from the directors.

□ Current ratio of the company stood at 0.86 times FY18 and 0.74 times in FY17 represents stretched liquidity position of the company

□ The textile industry's profitability margins are highly correlated with fluctuations in raw material prices.

□ Textile Industry is highly fragmented because of the presence of large number of players which results in intense competition.

**Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

The Company's Net worth gearing ratio, PAT, ISCR, DSCR have improved and the road map for the coming years in terms of Sales should improve.

**Rating Outlook: *Stable***

BWR believes the **Aruppukottai Sri Jayavilas limited** 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.



## About the Company

Aruppukottai Sri Jayavilas limited (ASJVL) was incorporated in 1951, in Aruppukottai , TamilNadu. ASJVL manufactures cotton and polyester-blended cotton yarn used for knitting and weaving. The installed capacity of spinning division is 70,080 spindles. The company is also engaged in operating bus service for local route and the Company has one Indian Oil Retail Outlet at Madurai .

ASJVL owns three windmills located near kudamkulam with combined capacity of 850 KW. Mr.T.R.S.Karthikeyan, whole time director of the company has more than five decades of experience in the industry.

## Company Financial Performance

ASJVL has reported a revenue of Rs.181.93 Crs for FY18 and Rs.182.91 Crs in FY17. The company has arrived profit of Rs.2.93 crs as against net loss (Depreciation loss) of Rs.(0.93) crs in FY17. As confirmed by the company, the achieved revenue from April'18 to Mar'19 is Rs.159.17 crs.

### Key Financial Indicators

Key Parameters	Units	2018	2017
<b>Result Type</b>			
Operating Revenue	₹ Cr	181.93	182.91
EBITDA	₹ Cr	10.63	8.27
PAT	₹ Cr	2.93	-0.93
Tangible Net worth	₹ Cr	19.72	16.78
Total Debt/Tangible Net worth	Times	2.93	3.48
Current Ratio	Times	0.86	0.77

### Rating History for the last three years

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Feb 2018	2017	2016
1	Fund Based Cash Credit	Long Term	10.90	BWR B+  (Pronounced as BWR Single B Plus)  Outlook: Stable  Upgraded	BWR B  (Pronounced as BWR Single B)  Outlook: Stable	NA	NA
2	Overdraft Cash Credit		10.80				
3	Term Loans-Existing		8.80*				
4	Working capital demand loans		7.56*				
5	Non-Fund Based LC(WC)	Short Term	14.00	BWR A4  (Pronounced as BWR A four)  Reaffirmed	BWR A4  (Pronounced as BWR A four)	NA	NA
<b>Total</b>			<b>52.06</b>	<b>INR Fifty Two Crores and Six Lakhs Only</b>			

\*Term loan and WCDL o/s as on 22.04.19



Status of non-cooperation with previous CRA (if applicable)-CRISIL B/A4- Issuer Not Cooperating  
 -Mar 05, 18

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

## **DISCLAIMER**

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