

## Rating Report

### Brickwork Ratings assigns 'BWR B/A4' rating for the bank loan facilities of Arun Spinning Mills Pvt Ltd (ASMPL)

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of ₹23.52 crores of Arun Spinning Mills P Ltd ( ASMPL or 'the company')

Facility	Amount (₹ Crs)	Tenure	Rating <sup>^</sup>
<b>Fund Based</b>	17.41	Long term	<b>BWR B</b> (Pronounced BWR B ) <b>Outlook: Stable</b>
<b>Non Fund based</b>	6.11	Short term	<b>BWR A4</b> (Pronounced BWR A Four )
<b>Total</b>	<b>23.52</b>	<b>(Rupees Twenty Three Crores and Fifty two Lakhs Only)</b>	

BWR has principally relied upon the audited financial results up to FY15, and projected financials upto FY17 of ASMPL, publicly available information and information/clarifications provided by the Company management.

The rating has factored, inter alia, the promoters' vast experience in the textile sector and the well -established clientele of the Company. The rating is constrained by moderate scale of operations, very thin profit margins, high gearing and intense competition in the sector.

#### Company Background

Arun Spinning Mills P Ltd (ASMPL) was incorporated in 1997 at Rajapalayam, Tamilnadu to manufacture grey cotton yarn. ASMPL is promoted by Mr.P.Subbaraman. There is a group company M/s.Sakthi Spintex P Ltd which is also into spinning since 2011 with the capacity of 14400 spindles for manufacturing 60 count cotton yarn.

The company started commercial production in 1997 with an initial capacity of 5000 spindles which was gradually increased to the current level of 30240 spindles and 888 Rotors.

ASMPL manufactures carded and combed yarn of 20 to 80 counts. ASMPL markets its yarn through brokers to traders and consumers located in Erode, Salem, Karur, Tirupur and Mumbai.

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

## Management Profile

The directors of the company are Mr P.Subbaraman, Mr. P.Sundarrajan, Mr.P.Vijayakumar, Mr.S.Arun Kumar and Ms.S.Sakthirani. The promoters of the company have vast experience in the textile business.

## Financial Performance

ASMPL has shown improvement in sales level from Rs.51.28 Crs in FY 13 to Rs.65.68 Crs in FY 14 but the turnover has reduced in FY15 to Rs.54.18 Crs. Though there is reduction in sales level the net profit of the company has increased from Rs.0.09 Crs in FY 14 to Rs.0.27 Crs in FY 15. Current ratio has improved from 0.75 as on FY14 to 0.83 as on FY15. The tangible networth of the Company is at Rs.6.37 Crs as on 31.3.15.

## Credit Risk Determinants:

Raw material availability:

The basic raw materials for ring spinning is virgin cotton which is procured from cotton centers like, Raichur, Pithampur, Vazirabad through brokers and also directly from the traders.

Volatility in revenues and Low net worth:

Company has shown good improvement in sales and profit for the year end 2014 but the same has marginally declined during FY 15. The reason for reduction in sales is reported as sluggish yarn market during FY 15. Networth also has not improved much. It has improved marginally from Rs.6.07 Crs to Rs.6.37 Crs in FY 15.

Working capital intensive operations:

Receivables days have increased considerably in FY 15 It has increased from 106 days in FY 14 to 122 days in FY 15. Inventory days also have increased from 33 days to 95 days in FY 15 but creditors days are maintained at the same level.

## Rating Outlook

Going forward, the ability of ASMPL to improve turnover and profitability, improve the capital structure to reduce gearing and reduce the inventory and receivables to improve liquidity will be the key rating sensitivity factors.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**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.

## Annexure I: Statement of Profit & Loss a/c (Rs in Crs)

### Profit and Loss Account

Crores	31/Mar/2013	31/Mar/20	31/Mar/20
		14	15
Result Type	Audited	Audited	Audited
Gross Sales	51.28	65.68	54.18
Traded Goods Sales	0.00	0.00	0.00
Excise Duty/Sales Tax	0.00	0.00	0.00
<b>Net Sales</b>	<b>51.28</b>	<b>65.68</b>	<b>54.18</b>
Other Operating Income	0.86	2.02	1.76
<b>Total Operating Income</b>	<b>52.14</b>	<b>67.70</b>	<b>55.94</b>
<b>Operating Expenses</b>	<b>46.84</b>	<b>60.85</b>	<b>49.01</b>
<b>OPBDIT</b>	<b>5.30</b>	<b>6.85</b>	<b>6.93</b>
Depreciation/Amortization/Impairment	3.50	3.27	3.83
<b>OPBIT</b>	<b>1.80</b>	<b>3.58</b>	<b>3.10</b>
Interest and Finance Charges	4.35	3.64	3.38
<b>OPBT</b>	<b>-2.55</b>	<b>-0.06</b>	<b>-0.28</b>
Non Operating Income(Expenses)	3.08	0.26	0.38
<b>PBT</b>	<b>0.53</b>	<b>0.20</b>	<b>0.10</b>
Extraordinary/Prior Period - Income(Expense)	0.06	0.02	0.00
Provision for Taxes	0.29	0.13	-0.17
<b>PAT</b>	<b>0.30</b>	<b>0.09</b>	<b>0.27</b>

### Annexure II: Statement of Balance Sheet (Rs in Crs)

<b>Balance Sheet</b>			
<b>Crores</b>	<b>31/Mar/2013</b>	<b>31/Mar/2014</b>	<b>31/Mar/2015</b>
<b>Liabilities</b>			
<b>EQUITY AND RESERVES</b>	<b>6.21</b>	<b>6.30</b>	<b>6.57</b>
Share capital	5.00	5.00	5.00
Preference Share Capital/Quasi Equity	0.00	0.00	0.00
Share Application money Pending allotment	0.00	0.00	0.00
Reserves and Surplus	1.21	1.30	1.57
Revaluation Reserve	0.00	0.00	0.00
<b>Non-current liabilities</b>	<b>7.44</b>	<b>5.50</b>	<b>3.08</b>
Long-Term Borrowings	5.97	3.96	1.69
Deferred tax Liabilities (Net)	1.29	1.37	1.19
Other Long Term liabilities	0.00	0.00	0.00
Long-Term Provisions	0.18	0.17	0.21
<b>Current liabilities</b>	<b>36.99</b>	<b>32.43</b>	<b>44.70</b>
Short-Term Borrowings	14.59	14.38	15.83
Current Portion Of Long Term Debt	3.51	2.47	2.57
Trade Payables	10.73	9.12	9.74
Other Current Liabilities	7.97	6.28	16.40
Short-Term Provisions	0.19	0.18	0.16
<b>Total Liabilities</b>	<b>50.63</b>	<b>44.23</b>	<b>54.35</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>23.35</b>	<b>19.94</b>	<b>17.11</b>
Net Fixed assets	21.32	18.42	14.84
Capital Work-In-Progress	0.56	0.00	0.00
Non Current Investments	0.00	0.02	0.02
Deferred Tax Assets (Net)	0.00	0.00	0.00
Long Term Loans and Advances	1.20	1.27	2.05
Other Non Current Assets	0.03	0.00	0.00
Miscellaneous Expenditure To the Extent Not Written off(Non Current)	0.25	0.22	0.20
<b>Current assets</b>	<b>27.28</b>	<b>24.28</b>	<b>37.24</b>
Inventories	5.36	4.16	17.01
Trade Receivables > Six Months	0.06	0.06	0.08
Trade Receivables < Six Months	19.85	18.17	17.89
Cash and Cash Equivalents	0.58	0.65	1.06
Short-Term Loans and Advances	1.17	0.97	0.95
Other Current Assets	0.28	0.27	0.25
<b>Total Assets</b>	<b>50.63</b>	<b>44.23</b>	<b>54.35</b>

**Annexure III: Key ratios\***

<b>Particulars</b>	<b>31/Mar/2013</b>	<b>31/Mar/2014</b>	<b>31/Mar/2015</b>
Tangible Net Worth	5.96	6.07	6.37
Capital Employed	31.31	28.26	27.65
Total Debt/TNW	4.04	3.43	3.15
Long Term Debt/TNW	1.00	0.65	0.26
TOL/TNW	7.24	6.02	7.29
ISCR	1.22	1.88	2.05
DSCR	1.87	0.98	1.28
Net Cash Accruals/Total Debt	0.17	0.16	0.19
Net Cash Accruals/Long Term Debt	0.67	0.86	2.31
Net Profit Margin	0.58	0.13	0.49
Operating Profit Margin	10.16	10.12	12.38
ROCE	5.75	12.02	11.08
Current Ratio	0.74	0.75	0.83
Days Receivables	142	106	122
Days Inventory	48	33	95
Days Payable	100	74	74
Conversion Cycle	90	66	143

**\*calculations are based on BWR definition**