

Rating Report

Brickwork Ratings upgrades long term rating to BWR BB- (Stable) from BWR B (Stable) and reaffirms A4 as the short term rating for the Bank Loan Facilities aggregating to ₹ 28.68 Cr of Jayavelu Spinning Mills Pvt. Ltd.

Brickwork Ratings (BWR) has upgraded the long term **Rating**¹ and has reaffirmed the short term ratings for the aggregated Bank Loan Facilities of ₹ 28.68 Crores of Jayavelu Spinning Mills Pvt Ltd (JVSMPPL or the 'Company'), as under:

| Facility | Previous Limit (₹ Crs) | Present Limit (₹ Crs) | Tenure | Rating | Rating History (December, 2013) |
|----------------------------|------------------------|-----------------------|---|--|--|
| Fund Based | | | | | |
| Cash Credit | 9.00 | 15.00 | Long Term | BWR BB- (Pronounced BWR Double B Minus) | BWR B (Pronounced BWR B) |
| Term Loan | 20.72 | 13.68 | | Outlook: Stable (Upgraded) | Outlook: Stable |
| Non Fund Based | | | | | |
| BG/ILC/FLC /PC/PCFC | 2.54 | (8.00)* | Short Term | BWR A4 (Pronounced BWR A Four) (Reaffirmed) | BWR A4 (Pronounced BWR A Four) |
| Total | 32.26 | 28.68 | INR Twenty Eight Crores and Sixty Eight Lakhs Only | | |

*Short Term Facility of ₹ 8.00 Crs is sub limit under Long Term facility.

BWR has principally relied upon the audited financial results of JSMPPL upto FY 14, projected financials upto FY15, FY16, information/clarification provided by the Company and other publicly available information.

The rating continues to factor, inter alia, experience of directors in the cotton spinning industry, tie-up with windmills to combat the problem of power shortage, locational advantage and moderate capital structure of the Company.

The Rating is however constrained by low sales volume considering the existence of the unit, volatility in the cotton prices and the ability of the Company to absorb the same without affecting the margins and intense competition in the industry.

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

Company Profile

Jayavelu Spinning Mills Private Limited [JVSMP] was incorporated on 1994 by Mr. Pethinaidu Veluchamy, Mrs. R.Renuga Devi and her family. The Mill is situated at Mettilpatti Village, Tuticorin in the freehold lands of over an area of 47.12 acres. The Company is one of the modern Spinning Mills with an installed capacity of 38400 Spindles. It manufactures premium quality cotton yarn for Export & Domestic Markets. The main raw material required is Ginned cotton. The Company procures raw material for the spinning unit mainly from Gujarat, Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu. During the peak arrivals they also purchase from CCI.

Management Profile

The Company is currently managed by Mr. G. Rajaram, Mr. Gopal Dinakaran, Mr. Subburajulu, Ms. R. Renuga Devi, Mr. V. Prem Subburaj and Mr. G.Ravi.

Mr.G.Rajaram, is the Technical Director having 3 decades of experience in Textile Industry and is well versed with the activities of the Mill. His wife Mrs. R.Renuga Devi is the major shareholder of this company.

Financials

In FY14, the Company registered a Turnover of ₹ 63.08 Crs compared to the turnover of ₹ 50.34 Crs in FY13. It has reported a net profit margin of 2.77 per cent and operating margin of 15.53 per cent for FY14. The total Net Worth stood at ₹ 23.83 Crs as on 31-3-2014.

The Company has reportedly achieved sales of ₹ 52.59 Crs for FY14-15 till Jan'15.

Rating Outlook

The rating reflects the position of the Company in the manufacturing segment of the Cotton industry it caters to. Going forward, the Company's ability to increase its scale of operations profitably, maintain leverage structure and its ability to withstand the fluctuation in the raw material prices shall remain the key rating sensitivities.

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Annexure I

Jayavelu Spinning Mills Pvt Ltd

Statement of Profit and Loss

In ₹ Crores

| | FY13 (Audited) | FY14 (Audited) |
|--------------------------------------|---------------------------|---------------------------|
| Gross Sales | 50.34 | 63.08 |
| Net Sales | 50.34 | 63.08 |
| Other Operating Income | 0.03 | 0.02 |
| Total Operating Income | 50.37 | 63.10 |
| Operating Expenses | 39.41 | 53.30 |
| OPBDIT | 10.95 | 9.80 |
| Depreciation/Amortization/Impairment | 5.25 | 5.27 |
| OPBIT | 5.71 | 4.53 |
| Interest and Finance Charges | 4.74 | 3.39 |
| OPBT | 0.97 | 1.14 |
| Non-Operating Income(Expenses) | 0.19 | 0.26 |
| PBT | 1.16 | 1.39 |
| Provision for Taxes | -0.22 | -0.36 |
| PAT | 1.38 | 1.75 |

| Annexure II | | |
|--|---------------------------|---------------------------|
| Jayavelu Spinning Mills Pvt Ltd | | |
| Balance Sheet | In ₹ Crores | |
| | FY13 (Audited) | FY14 (Audited) |
| EQUITY AND RESERVES | 22.15 | 23.83 |
| Share capital | 21.70 | 21.70 |
| Reserves and Surplus | 0.45 | 2.13 |
| Non-current liabilities | 20.22 | 16.41 |
| Long-Term Borrowings | 20.22 | 16.41 |
| Deferred tax Liabilities (Net) | 0.00 | 0.00 |
| Other Long Term liabilities | 0.00 | 0.00 |
| Current liabilities | 15.45 | 21.72 |
| Short-Term Borrowings | 8.74 | 10.97 |
| Current Portion Of Long Term Debt | 4.74 | 5.48 |
| Trade Payables | 1.02 | 4.01 |
| Other Current Liabilities | 0.46 | 0.84 |
| Short-Term Provisions | 0.49 | 0.43 |
| Total Liabilities | 57.82 | 61.96 |
| ASSETS | | |
| Non-current assets | 36.29 | 31.06 |
| Net Fixed assets | 34.87 | 30.46 |
| Non-Current Investments | 0.00 | 0.04 |
| Deferred Tax Assets (Net) | 0.10 | 0.48 |
| Long Term Loans and Advances | 1.06 | 0.00 |
| Other Non-Current Assets | 0.25 | 0.08 |
| Current assets | 21.53 | 30.90 |
| Current Investments | 0.00 | 0.00 |
| Inventories | 8.13 | 13.37 |
| Trade Receivables > Six Months | 0.00 | 0.00 |
| Trade Receivables < Six Months | 6.42 | 8.96 |
| Cash and Cash Equivalents | 1.66 | 2.03 |
| Short-Term Loans and Advances | 2.16 | 3.24 |
| Other Current Assets | 3.17 | 3.29 |
| Total Assets | 57.82 | 61.96 |

| Annexure III | | | |
|--|----------|---------------------------|---------------------------|
| Jayavelu Spinning Mills Pvt Ltd | | | |
| Key Ratios | | FY13 (Audited) | FY14 (Audited) |
| Total Debt/ Tangible Net worth | Times | 1.52 | 1.38 |
| Interest Service Coverage Ratio | Times | 2.31 | 2.89 |
| Tangible Net Worth | ₹ Crores | 22.15 | 23.83 |
| Net Profit Margin | Per cent | 2.74 | 2.77 |
| Net Cash Accruals/Total Debt | Times | 0.19 | 0.20 |
| Current Ratio | Times | 1.39 | 1.42 |