

Sri Spinners

January 22, 2021

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	5.57	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Total Bank Facilities	5.57 (Rs. Five Crore and Fifty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 09, 2019 placed the rating(s) of Sri Spinners (SS) under the 'issuer non-cooperating' category as SS had failed to provide information for monitoring of the rating. SS continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated November 17, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by Sri Spinners with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating December 09, 2019 the following were the rating strengths and weaknesses:

Key Rating Weakness***Project implementation risk***

The manufacturing plant is spread over 4 acres of land in Dindugal, Tamil Nadu. The construction of the plant was completed in June 2017. The commercial operations are expected to commence from September 2018. The total project cost is estimated at Rs.12.70 crore and it is financed through term loan of Rs.4.60 crore and unsecured loan of Rs.2.00 crore from partners and promoter contribution of Rs.6.10 crore. Of the total project cost, Rs.12.67 crore (99.70%) has been incurred as of August 30, 2018. However during the trail run period SS executed orders of Rs.0.33 crore in the month of July 2018.

Profitability susceptible to volatile raw material prices

The spinning units are exposed to the price risk of raw material. These units also tend to purchase cotton when the prices are relatively favourable and build up the stock. Further the price fluctuation is linked to monsoon, increasing manufacturing cost and the demand & supply dynamics which cause cotton prices to fluctuate sharply.

Partnership nature of constitution

SS, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

Highly fragmented and competitive business segment due to presence of numerous players

The firm is engaged into a fragmented business segment and competitive industry. The market consists of several small to medium-sized companies that compete with each other along with several large enterprises.

Key Rating Strengths***Vast experience of the promoters in spinning industry***

Mr S Somasundharam, a graduate, has an experience of about 35 years and Mr Thiyagarajan has an experience of about 20 years in the spinning industry.. The firm is expected to gain benefit from the experience of the promoters and establish a good relationship with customers and suppliers.

Locational advantage and achievement of financial closure

The firm is located in Dindigul district which has the second largest textile spinning capacity in the state of Tamil Nadu. Dindigul is connected by three national highways and the closest international airport is located 60 kms away, in Madurai. The manufacturing unit, is located 15kms away from Dindigul railway station and is well connected the Chennai and Madurai

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; based on best available information

cities. The term loan has been sanctioned of Rs. 4.60 and Rs.4.57 crore has been disbursed and utilized as of August 30, 2018.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology on Manufacturing Sector](#)

About the Firm

Dindugal (Tamil Nadu) based Sri Spinners (SS) was established as a partnership firm on July 14, 2017. Mr. R. Thiyagarajan and Mr S. Somasundharam are the partners of the firm. The firm proposes to establish a spinning mill with installed capacity of 10,000 spindles per month. The estimated project cost is Rs. 12.70 crore, of which Rs. 4.60 crore is financed by way of term loan, Rs.2.00 crore by way of unsecured loan from partners and the remaining Rs.6.10 crore by way of own funds. The firm will be engaged in manufacturing of polyester cotton yarn of 54' no count which is used in manufacturing of Polyester cotton fabrics. The firm procures raw cotton and polyester from local suppliers in and around Dindugal District in Tamil Nadu. SS started its trail run on July 14, 2018 and is expected to start its commercial operations from September, 2018. However during the trail run period SS executed orders of Rs.0.33 crore to Maliyan Textiles (Mumbai) as on August 29, 2018. The expected to targeting the customers in and around Dindigul, Salem and Tirupur in Tamil Nadu, Karnataka, Kerala and Maharashtra states.

Brief Financials- During last review the firm was project stage and latest information is not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Mortgage Loan facility/ Asset backed financing	-	-	March 2025	3.75	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	March 2025	0.82	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	1.00	CARE B-; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Mortgage Loan facility/ Asset backed financing	LT	3.75	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (09-Dec-19)	1)CARE B+; Stable (25-Sep-18)	-
2.	Fund-based - LT-Term Loan	LT	0.82	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (09-Dec-19)	1)CARE B+; Stable (25-Sep-18)	-
3.	Fund-based - LT-Cash Credit	LT	1.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (09-Dec-19)	1)CARE B+; Stable (25-Sep-18)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Mortgage Loan facility/ Asset backed financing	Simple
3.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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