

January 11, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF K.P.R. MILL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	802.33 (reduced from 891.34)	CARE AA- (Double A Minus)	Reaffirmed
Short-term Bank Facilities	257.82 (enhanced from 257.50)	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	1,060.15 (Rupees One Thousand Sixty crore and Fifteen lakh only)		

CARE has adopted its rating methodology for cotton yarn manufacturing companies for assessing KPR Mill Limited.

Rating Rationale

The ratings assigned to the bank facilities of KPR Mill Limited (KPR) continue to factor in long track record of the promoters, established position of KPR as one of the largest and integrated players in Tirupur region and financial risk profile characterised by relatively stable profitability & healthy cash accruals. The ratings, however, continue to be constrained by KPR's exposure to the small players in Tirupur textile cluster for its yarn business, volatile raw material prices and cyclical nature of the textile industry.

Going forward, performance of its subsidiaries, increase in presence in domestic as well as export markets and sustaining the profitability in light of volatile cotton and yarn prices and capital structure would be key rating sensitivities.

Background

KPR (CIN:L17111TZ2003PLC010518) promoted by three brothers Mr K. P. Ramasamy, Mr K. P. D. Sigamani and Mr P. Nataraj, is an integrated player producing cotton yarn, cotton knitted fabrics (with capacity of 27,000 MT p.a) and garments (with capacity of 59 mill pieces p.a) in the Coimbatore-Tirupur region. With a capacity of 353,568 spindles as on March 31, 2015, KPR is one of the leading players supplying yarn to Tirupur market. KPR produces knitted garments which are directly exported. During FY15 (refers to the period April 1 to March 31), yarn contributed to 51% of net sales, fabric 27 % and garments 14% of the net sales.

KPR reported a PAT of Rs.146 crore on a total operating income of Rs.2,101 crore in FY15 and PAT of Rs.85 crore on a total operating income of Rs.962 crore in H1FY16.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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