

## Kandagiri Spinning Mills Limited

July 20, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	39.03 (reduced from 49.18)	<b>CARE D (Single D)</b>	<b>Revised from CARE B+; Stable (Single B Plus; Outlook :Stable)</b>
Short term Bank Facilities	1.00 (reduced from 2.50)	<b>CARE D (Single D)</b>	<b>Revised from CARE A4 (A Four)</b>
Long/ Short term Bank Facilities	0.50 (reduced from 1.10)	<b>CARE D (Single D)</b>	<b>Revised from CARE B+;Stable/ CARE A4 (Single B Plus; Outlook: Stable/ A Four)</b>
<b>Total</b>	<b>40.53 (Rs. Forty crore and fifty three lakh only)</b>		
Fixed deposit	14.01 <b>(Rupees Fourteen crore and one lakh only)</b>	<b>CARE D (FD) (Single D (Fixed Deposit))</b>	<b>Revised from CARE B+(FD) [Single B Plus (Fixed Deposit)]</b>

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities and fixed deposits of Kandagiri Spinning Mills Limited (KSML) takes into account the delays in repayment of debt.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Delay in servicing debt obligations

The company has delayed in repayment of its debt obligations as stated by the auditor in their report forming part of the annual report uploaded on the company's website.

**Decline in operational and financial performance during FY18:** During FY18, the operating income has declined by 30.3% to Rs.53.62 crore from Rs.78.02 crore in FY17 due to lower production and sales owing to drop in capacity of spindles. The company reported loss after tax of Rs.11.63 crore (PY: Rs.10.61 crore) in FY18.

#### Key Rating Strengths

**KSML's long standing track record and promoter's vast experience:** KSML has been in operation since 1976 and belongs to the 'Sambandam' Group which is primarily involved in the business of textile spinning, besides NBFC and Healthcare. Promoters of the group belong to a family who were traditionally yarn merchants

**Analytical Approach:** Standalone

#### Applicable criteria

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

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's methodology for manufacturing companies](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology – Cotton yarn](#)

#### About the company

KSML was originally incorporated in 1976 in Salem, Tamil Nadu, under the name of 'The Ammapet Sizing Mills Private Limited'. The company took its current name in 1978 and became a public limited company in 1995. KSML is engaged in textile spinning with an aggregate capacity of 54,428 spindles (as on March 31, 2018) spread across two units in Salem.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	78.57	54.76
PBILDT	-5.87	-4.21
PAT	-10.61	-11.63
Overall gearing (times)	1.80	2.39
Interest coverage (times)	-0.45	-0.49

A-Audited;

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

#### **Analyst Contact**

Name: Mr C Harihara Subramaniam

Tel: 044 2850 1000

Mobile: +91 97899 98514

Email: [harihara.subramanian@careratings.com](mailto:harihara.subramanian@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

#### **About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### **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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

## 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-Term Loan	-	-	May 2022	11.03	CARE D
Non-fund-based - ST-BG/LC	-	-	-	0.50	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	0.50	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	28.00	CARE D
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE D
Fixed Deposit	-	-	1-3 years	14.01	CARE D

## 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	11.03	CARE D	-	1)CARE B+; Stable (11-Jul-17)	1)CARE BB- (02-Aug-16)	1)CARE BB+ (08-Oct-15)
2.	Non-fund-based - ST-BG/LC	ST	0.50	CARE D	-	1)CARE A4 (11-Jul-17)	1)CARE A4 (02-Aug-16)	1)CARE A4+ (08-Oct-15)
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	0.50	CARE D / CARE D	-	1)CARE B+; Stable / CARE A4 (11-Jul-17)	1)CARE BB- / CARE A4 (02-Aug-16)	1)CARE BB+ / CARE A4+ (08-Oct-15)
4.	Fund-based - LT-Cash Credit	LT	28.00	CARE D	-	1)CARE B+; Stable (11-Jul-17)	1)CARE BB- (02-Aug-16)	1)CARE BB+ (08-Oct-15)
5.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4	-	-	1)CARE A4 (02-Aug-16)	1)CARE A4+ (08-Oct-15)
6.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE D	-	1)CARE A4 (11-Jul-17)	1)CARE A4 (02-Aug-16)	1)CARE A4+ (08-Oct-15)
7.	Fixed Deposit	LT	14.01	CARE D	-	1)CARE B+ (FD); Stable (11-Jul-17)	1)CARE BB- (FD) (02-Aug-16)	1)CARE BB+ (FD) (08-Oct-15)

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
Cell: + 91 98190 09839  
E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
Cell: + 91 98196 98985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
Cell: + 91 99675 70636  
E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
Cell: + 91 98209 98779  
E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-9099028864  
Tel: +91-79-4026 5656  
E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 – 95490 33222  
Tel: +91-141-402 0213 / 14  
E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91 98407 54521  
Tel: +91-80-4115 0445, 4165 4529  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 85111-53511/99251-42264  
Tel: +91- 0172-490-4000/01  
Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD**

**Mr. Ramesh Bob**  
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Cell : + 91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)