

Kandagiri Spinning Mills Limited

September 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	30.85 (reduced from 39.03)	CARE D (Single D)	Reaffirmed
Short term Bank Facilities	1.00	CARE D (Single D)	Reaffirmed
Total	31.85 (Rupees Thirty one crore and Eighty Five Lakhs only)		
Fixed deposit	14.01 (Rupees Fourteen crore and one lakh only)	CARE D (FD) (Single D (Fixed Deposit))	Reaffirmed

Details of instruments/facilities in Annexure 1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and fixed deposit of Kandagiri Spinning Mills Limited (KSML) continue to factor in the on-going delays in repayment of debt due to liquidity constraints.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in servicing debt obligations: The Company has on-going delays in servicing its debt obligations.

Moderate operational and financial performance during FY19: The Company is involved in spinning of cotton yarn and the operating income continues to be moderate at Rs.69.71 crore in FY19 albeit increased from Rs.54.76 crore in FY18. The company reported loss after tax of Rs.18.59 crore (PY: net loss of Rs.11.63 crore) in FY19.

Key Rating Strength

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.

Liquidity: Poor- Poor Liquidity marked by lower accruals when compared to repayment obligations, fully utilized bank limits and modest cash balance. This could constrain the ability of the company to repay the debt obligations on a timely basis.

Analytical Approach: Standalone

Applicable criteria

CARE's Policy on Default Recognition

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

Financial ratios –Non-Financial Sector

CARE's methodology for manufacturing companies

Criteria for Short Term Instruments

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 27,296 spindles (as on March 31, 2019).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	54.76	69.71
PBILDT	-4.21	-7.13
PAT	-11.63	-18.59
Overall gearing (times)	2.39	8.62
Interest coverage (times)	-0.49	-1.09

A-Audited;

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

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for 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-Term Loan	-	-	May 2022	8.85	CARE D
Non-fund-based - ST-BG/LC	-	-	-	0.50	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	22.00	CARE D
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE D
Fixed Deposit	-	-	1-3 Years	14.01	CARE D (FD)

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	8.85	CARE D	-	1)CARE D (20-Jul-18)	1)CARE B+; Stable (11-Jul-17)	1)CARE BB- (02-Aug-16)
2.	Non-fund-based - ST-BG/LC	ST	0.50	CARE D	-	1)CARE D (20-Jul-18)	1)CARE A4 (11-Jul-17)	1)CARE A4 (02-Aug-16)
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)CARE D / CARE D (20-Jul-18)	1)CARE B+; Stable / CARE A4 (11-Jul-17)	1)CARE BB- / CARE A4 (02-Aug-16)
4.	Fund-based - LT-Cash Credit	LT	22.00	CARE D	-	1)CARE D (20-Jul-18)	1)CARE B+; Stable (11-Jul-17)	1)CARE BB- (02-Aug-16)
5.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4	-	-	-	1)CARE A4 (02-Aug-16)
6.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE D	-	1)CARE D (20-Jul-18)	1)CARE A4 (11-Jul-17)	1)CARE A4 (02-Aug-16)
7.	Fixed Deposit	LT	14.01	CARE D (FD)	-	1)CARE D (20-Jul-18)	1)CARE B+ (FD); Stable (11-Jul-17)	1)CARE BB- (FD) (02-Aug-16)

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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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