

JULY 23, 2015

## CARE ASSIGNS 'CARE BB+' AND 'CARE A4+' RATINGS TO THE BANK FACILITIES OF SRI RAJA VINAYAGAR MILLS

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	24.07	<b>CARE BB+ (Double B Plus)</b>	Assigned
Short-term Bank Facilities	3.00	<b>CARE A4+ (A Four Plus)</b>	Assigned
<b>Total Facilities</b>	<b>27.07</b>		

### Rating Rationale

The ratings assigned to the bank facilities of Sri Raja Vinayagar Mills (SRVM) are constrained by the firm's relatively small albeit growing scale of operations, its exposure to volatility in raw material prices, working capital-intensive nature of its operations and constitution of the entity as a partnership firm.

The ratings, however, draw strength from the vast experience of the partners in the textile sector, their established relationship with reputed clientele in the knitting industry and financial risk profile of the firm marked by stable profit margins and moderate overall gearing level.

Going forward, the ability of the firm to increase the scale of operations, improve its profit margins & capital structure while effectively managing the working capital requirements are the key rating sensitivities.

### Background

SRVM is a Coimbatore-based partnership firm engaged in manufacturing and sale of cotton yarn and grey cotton fabric. The firm was promoted in 2003 by Mr R Saminathan and his brother-in-law, Mr C. Palanisamy, each with over 20 years of experience in cotton textile industry. SRVM started its operations with an installed capacity of 6,000 spindles and in the past undertook expansion in a phased manner. As on March 31, 2015, the firm has an installed capacity of 25,500 spindles. SRVM manufactures cotton yarn in the 40's count. The firm outsources grey cotton fabric manufacturing to local job work companies and supplies the final fabric to various knitting units in Tirupur and Kolkata.

During FY15 (refers to the period April 1 to March 31), sale of cotton fabric contributed 80% of the total income of SRVM, while sale of yarn contributed 20% of the total income.

During FY14, SRVM generated a PBT of Rs.0.5 crore on a total operating income of Rs.23.9 crore. As per provisional FY15, SRVM generated a PBT of Rs.0.4 crore on a total operating income of Rs.23.2 crore.

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

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

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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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