

**Sri Spinners**  
**December 09, 2019**

**Rating**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Rating Action</b>
Long -term Bank Facilities	5.57	CARE B+, Stable ISSUER NOT COOPERATING* (Single B Plus; Outlook:Stable) Issuer not cooperating*	Issuer not cooperating*; based on best available information
<b>Total Facilities</b>	<b>5.57</b> <b>(Rupees Five crore and fifty seven lakh only)</b>		

*Details of instruments/facilities in Annexure*

**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from Sri Spinners (SS) to monitor the rating vide e-mail communications/ letters dated August 02, 2019, September 04, 2019, November 07, 2019, November 11, 2019 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of publicly available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Sri Spinners bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING\***.

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

**Detailed description of the key rating drivers**

*At the time of last rating September 07, 2018 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 Thiagarajan 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.

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

\*Issuer did not cooperate; based on best available information

The manufacturing unit, is located 15kms away from Dindigul railway station and is well connected the Chennai and Madurai 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.

#### **Stable demand outlook for polyester cotton yarn industry**

The stable cotton outlook is in view of an increase in acreage, a rise in supply in 1QFY18 (due to demonetisation) and a decline in global inventory assisting with a balanced supply. Ind-Ra expects operating profitability levels of Indian cotton ginners and exporters to moderate in FY18. Liquidity position of small players was acutely affected due to a surge in cotton prices in 1HFY17, followed by a challenging operating environment in 2HFY17 due to demonetisation. (Source of information: Economic times market)

**Analytical Approach:** Standalone

#### **Applicable Criteria**

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

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

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

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

[Rating Methodology - Manufacturing Companies](#)

#### **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* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	March 2025	0.82	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	1.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*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 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-Mortgage Loan facility/Asset backed financing	LT	3.75	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (25-Sep-18)	-	-
2.	Fund-based - LT-Term Loan	LT	0.82	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (25-Sep-18)	-	-
3.	Fund-based - LT-Cash Credit	LT	1.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (25-Sep-18)	-	-

\*Issuer did not cooperate; based on best available information

**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.

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