

Suryajyoti Spinning Mills Limited

March 3, 2017

Ratings

| Facilities/Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|---|----------------------|---------------|
| Long-term Bank Facilities | 256.70 | CARE D (Single D) | Reaffirmed |
| Short-term Bank Facilities | 52.32 | CARE D (Single D) | Reaffirmed |
| Total Facilities | 309.02 (Rupees Three Hundred Nine crore and Two thousand only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Suryajyoti Spinning Mills Limited (SSML) takes into account continued weak financial profile and stretched liquidity position of the company resulting in delays in servicing debt obligations.

Detailed description of the key rating drivers

Key Rating Weaknesses

Stretched liquidity position resulting in delays in servicing debt obligation

The company has been facing subdued financial performance since the last three years on account of sluggish demand for cotton yarn in the domestic and export markets and the same continued during FY16 (refers to the period April 1 to March 31). The financial parameters continued to remain weak during FY16 with the company reporting net loss and cash loss during the year.

Key Rating Strengths

Experienced Promoters

Mr Ravinder Kumar (Managing Director), the main promoter, has more than four decades of experience in the textile industry. His son, Mr Arun Kumar Agarwal (Executive Director), is also associated with the company from 1995 onwards and is also actively involved in the day-to-day operations of SSML.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for Manufacturing Companies](#)

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

[Rating Methodology for Cotton Yarn](#)

About the Company

Suryajyoti Spinning Mills Ltd. (SSML), promoted by Mr Ravinder Kumar Agarwal (Managing Director), was incorporated in 1983, and commenced operations from January 1991. SSML commenced operations with installed capacity of 5,040 spindles and gradually increased it to 86,560 spindles. The manufacturing units are located at Makthal, Burgul and Rajapur Villages of Mahaboobnagar District, Telangana. SSML manufactures medium to coarser counts of carded and combed cotton yarn and various blends of synthetic yarn such as polyester (100%), viscose (100%) and polyester-viscose/polyester-cotton blends. SSML also has a fabric manufacturing unit with an installed capacity of 20 Million Meters Per Annum.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY16, SSML reported total operating income of Rs.368.89 crore (FY15:Rs.419.83 crore) with PBILDT of Rs.26.39 crore (FY15:Rs.46.85 crore) and net loss of Rs.21.08 crore (FY15: Net loss of Rs.8.71 crore).

Status of non-cooperation with previous CRA: ICRA had suspended its rating assigned to the bank facilities of SSML as per press release dated January 31, 2012 on account of ICRA's inability to carry out the assessment of rating in the absence of sufficient information provided by SSML.

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at 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 | - | - | June 2021 | 136.70 | CARE D |
| Fund-based - LT-Cash Credit | - | - | - | 120.00 | CARE D |
| Non-fund-based - ST-BG/LC | - | - | - | 24.00 | CARE D |
| Fund-based - ST-Bills discounting/ Bills purchasing | - | - | - | 28.32 | 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 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund-based - LT-Term Loan | LT | 136.70 | CARE D | - | 1)CARE D (08-Dec-15) | 1)CARE B- (12-Jan-15) | 1)CARE C (25-Nov-13) |
| 2. | Fund-based - LT-Cash Credit | LT | 120.00 | CARE D | - | 1)CARE D (08-Dec-15) | 1)CARE B- (12-Jan-15) | 1)CARE C (25-Nov-13) |
| 3. | Non-fund-based - ST-BG/LC | ST | 24.00 | CARE D | - | 1)CARE D (08-Dec-15) | 1)CARE A4 (12-Jan-15) | 1)CARE A4 (25-Nov-13) |
| 4. | Fund-based - ST-Bills discounting/ Bills purchasing | ST | 28.32 | CARE D | - | 1)CARE D (08-Dec-15) | 1)CARE A4 (12-Jan-15) | 1)CARE A4 (25-Nov-13) |

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CIN - L67190MH1993PLC071691