

March 20, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	<b>SMERA D / Assigned</b>
Term Loans	9.84	<b>SMERA D / Assigned</b>
Letter of Guarantee	0.60	<b>SMERA D / Assigned</b>

SMERA has assigned a rating of '**SMERA D** (read as **SMERA D**) to Rs. 15.84 crores long term facilities (fund based) and Rs. 0.60 crores short term facilities (non – fund based). The ratings assigned to the bank facilities of Siivaganapathi Spinners Private Limited (SSPL) takes into account the delays in servicing of debt obligations, frequent over drawings in cash credit account, consequent to the strained liquidity position of SSPL, small scale of operations in a highly competitive textile industry, susceptibility to volatility in raw material prices and power shortage issues in Tamil Nadu. The above mentioned weaknesses are partially mitigated by experience of promoters in the textile industry and increasing trend of revenue from FY 2010 to FY 2012.

SSPL has a track record of around 09 years and can be considered as a small player in a highly competitive spinning industry with limited product differentiation. The business profile of the company remains vulnerable to volatile nature of raw material prices, which has led to limited price flexibility and stretched working capital limit utilization. The company has a below average financial risk position characterized by moderately high gearing level of 2.42 times as on 31/Mar/2012 on account of debt funded capex undertaken in FY 2012. There are various instances of over drawings in cash credit account and delays in servicing term loan instalments in the past due to stressed liquidity position

SSPL has however witnessed a steady growth in revenue. The revenue of SSPL has increased from Rs. 8.18 (in crores) in FY 2010 to Rs. 14.12 (in crores) in FY 2012. SSPL has also maintained profitability from FY 2008 to FY 2012. SSPL had a net profit margin of 2.86% in FY 2012.

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**About Siivgaganapathi Spinners Private Limited**

SSPL was incorporated in the year 2004 by Mr. R. Palanisamy, Ms. K. Sampoornam, Mr. S. Palanisamy, Mr. P. Ravi, Ms. K. Pangayarselvi, Ms. T. Sivakami and Ms. S. Nalini.

The company is engaged in manufacturing of cotton yarn in the count range of 30s with a total capacity of 16,800 spindles at its sole manufacturing facility located in Erode (Tamil Nadu) which can produce cotton yarn in the count range of 20s to 40s. The company procures raw cotton and cotton wastes from the local market in Tamil Nadu as well as from Maharashtra and Andhra Pradesh and caters mainly to the weavers, traders and hosiery manufacturers in Tamil Nadu & Mumbai.

For FY 2011-12, SSPL reported a net profit of Rs. 0.40 crore on a total income of Rs. 14.12 crore as against a net profit of Rs. 1.28 crore on a total income of Rs. 13.27 crore in FY 2010-11.

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