

Press Release

Kallam Brothers Cottons Private Limited

January 20, 2021



Rating Update

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs.91.15 Cr. # |
| Long Term Rating | ACUITE BB (Downgraded) Issuer not co-operating* |
| Short Term Rating | ACUITE A4+ Issuer not co-operating* |

Refer Annexure for details

* The issuer did not co-operate; Based on best available information.

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.91.15 crore bank facilities of Kallam Brothers Cottons Private Limited (KBCPL). The rating is flagged as "Issuer Not-Cooperating" on account of information risk.

Kallam Brothers Cottons Private Limited (KBCPL) is a Guntur based company started as partnership firm in the year 2001 and converted to 'Private Limited' in the year 2003 by Mr. Nagi Reddy along with his family members. It is engaged in cotton ginning and manufacturing of yarn. The company's ginning and spinning division is located at Dhulipalla Village, Guntur. It has 24 gins and 33,840 spindles to produce yarn, count ranging from 16s to 40s. They have an operating wind mill with an installed power generation capacity of one mega-watt (MW), and the same is supplied to the electricity board. Of the total revenues in FY2019, ginning division contributed around 38 percent, spinning division contributed 62 per cent and remaining is from power division.

Non-cooperation by the issuer/borrower

Acuité has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer / borrower failed to submit such information before due date.

Acuité believes that information risk is a critical component in such ratings, and non-cooperation by the issuer along with unwillingness to provide information could be a sign of potential deterioration in its overall credit quality.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Limitation regarding information availability

The rating is based on information available from sources other than the issuer / borrower (in the absence of information provided by the issuer / borrower). Acuité endeavoured to gather information about the entity / industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

Liquidity Indicators

No information provided by the issuer / available for Acuite to comment upon.

Rating Sensitivity

No information provided by the issuer / available for Acuite to comment upon.

About the Rated Entity - Key Financials

The rated entity has not shared the latest financial statements despite repeated requests.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-------------|---------------------------------|------------|-----------------|---------------------------------|
| 30-Oct-2019 | Cash Credit | Long Term | 30.00 | ACUITE BB+/Stable (Downgraded) |
| | Term Loan | Long Term | 17.36 | ACUITE BB+/Stable (Downgraded) |
| | SLC | Long Term | 6.00 | ACUITE BB+/Stable (Downgraded) |
| | Cash Credit | Long Term | 18.00 | ACUITE BB+/Stable (Downgraded) |
| | Letter of Credit | Short Term | 8.00 | ACUITE A4+ (Downgraded) |
| | Letter of Credit | Short Term | 4.00 | ACUITE A4+ (Assigned) |
| | Proposed Bank Facility | Long Term | 7.79 | ACUITE BB+/Stable (Downgraded) |
| 07-Aug-2018 | Cash Credit | Long Term | 30.00 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan | Long Term | 28.15 | ACUITE BBB-/Stable (Reaffirmed) |
| | SLC | Long Term | 6.00 | ACUITE BBB-/Stable (Reaffirmed) |
| | Cash Credit | Long Term | 18.00 | ACUITE BBB-/Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 8.00 | ACUITE A3 (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 1.00 | ACUITE BBB-/Stable (Assigned) |
| 18-Apr-2018 | Cash Credit | Long Term | 30.00 | ACUITE BBB-/Stable (Assigned) |
| | Term Loan | Long Term | 28.15 | ACUITE BBB-/Stable (Assigned) |
| | SLC | Long Term | 4.50 | ACUITE BBB-/Stable (Assigned) |

| | | | | |
|--|------------------|------------|-------|----------------------------------|
| | Cash Credit | Long Term | 18.00 | ACUITE BBB-/Stable (Assigned) |
| | Letter of Credit | Short Term | 2.00 | ACUITE A3 (Assigned) |

#Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 30.00 | ACUITE BB (Downgraded) Issuer not Cooperating |
| Term Loan | Not Available | Not Available | Not Available | 17.36 | ACUITE BB (Downgraded) Issuer not Cooperating |
| SLC | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE BB (Downgraded) Issuer not Cooperating |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 18.00 | ACUITE BB (Downgraded) Issuer not Cooperating |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE A4+ Issuer not Cooperating |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE A4+ Issuer not Cooperating |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 7.79 | ACUITE BB (Downgraded) Issuer not Cooperating |

*The issuer did not co-operate; Based on best available information.

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,446 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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