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## ICRA reaffirms the LBB rating for Ramya Spinning Mills Private Limited; assigns stable outlook

ICRA has reaffirmed the LBB (pronounced L double B) rating assigned to Rs. 7.83 crore<sup>1</sup> term loan and Rs. 7.75 crore fund based facilities of Ramya Spinning Mills Private Limited (RSMPL)<sup>†</sup>. The outlook on the long term rating is Stable.

The rating reaffirmation takes into account the company's financial risk profile characterized by high gearing and stretched debt coverage indicators; and vulnerability to intense competition in a fragmented industry given the small scale of operations and commoditized nature of the grey cotton yarn, which limits the pricing power. ICRA notes that in absence of power backup facilities, the operations of the company are dependent on the availability of regular power supply in the state which had been erratic in the past. The rating favourably factors in the promoters' significant experience in cotton ginning and spinning, proximity of the manufacturing unit to a major cotton growing area, low power tariffs in the state and fiscal incentives offered by the state government which helps in improving the operating profitability and provides competitive advantage to the spinning mills in the state. ICRA notes that the demand for spun yarn has improved post the showdown witnessed during 2008-09 which has resulted in improved realizations and profitability for the yarn manufacturers.

### Company Profile

RSMPL was incorporated in 2000 and is engaged in manufacturing of 100% grey cotton yarn with an average count of 40s. RSMPL has a spinning mill in Guntur district of Andhra Pradesh and commenced operations in June 2004 with an installed capacity of 6,336 spindles which was subsequently increased to 12,096 spindles by 2006-07.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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