



Prabhu Spinning Mills P Limited

Instruments	Amounts (Rs. crore [*])	Rating action
Long term: Term Loans	0.00 (reduced from 11.84)	[ICRA]A+ (stable) / upgraded from [ICRA]A (stable)
Long term: Fund-based Limits	90.00	
Short term: Non-Fund Based Limits	25.00	[ICRA]A1 / reaffirmed
Long / Short term: Fund based unallocated limits	30.00 (increased from 18.16)	[ICRA]A+ (stable) / [ICRA]A1

ICRA has upgraded the long term rating outstanding on the Rs. 90.00 crore fund based facilities of Prabhu Spinning Mills Private Limited ("Prabhu" / "The Company") from [ICRA]A (pronounced ICRA A) to [ICRA]A+ (pronounced ICRA A plus). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short term rating for the Rs. 25.00 crore non-fund based facilities of the Company at [ICRA]A1 (pronounced ICRA A one)[†]. The ratings of [ICRA]A+ (stable) / [ICRA]A1 shall also apply to the proposed / unallocated fund-based limits facilities of the company to the tune of Rs. 30.00 crore (earlier rated for Rs. 18.16 crore); depending on the usage of the instrument.

For arriving at the ratings, ICRA has consolidated the operational and financial risk profiles of the eight companies in the group - (a) Sri Shanmugavel Mills Private Limited, (b) Sudhan Spinning Mills Private Limited, (c) Sivaraj Spinning Mills Private Limited, (d) Adisankara Spinning Mills Private Limited, (e) Sri Velayudhaswamy Spinning Mills Private Limited, (f) Prabhu Spinning Mills Private Limited, (g) Vedha Spinning Mills Private Limited, and (h) Sri Matha Spinning Mills Private Limited. The combined entity is collectively referred to as Shanmugavel Group ("The Group").

The rating action considers the healthy improvement in financial profile of the Shanmugavel Group (represents the eight entities rated by ICRA) during the period, 2014-15 and H1 2015-16, as illustrated by steady revenue growth, healthy net profits and comfortable debt protection metrics. Yarn and fabric demand have remained stable during this period, supported primarily by the demand from overseas markets, leading to better capacity utilization; however the realisations have remained weak with steady fall in yarn and fabric prices over the last one year. Weak realisations coupled with decline in windmill income due to the expected drop in wind generation on the back of poor wind velocity and issues over evacuation, is likely to impact the group's profit margins in the current fiscal. However the cash flow position and debt indicators continue to remain comfortable with the group foreclosing the term loans availed on the large capital expenditure (capex) undertaken in the past. Further with strong cash accruals, the average working capital utilisation has been moderate at ~50% of sanctioned limits, in the last one year. The ratings also derive comfort from the group's long standing market presence, its position as one of the largest spinners in South India resulting in favourable scale economics, operational strengths enjoyed by the group by virtue of its partially integrated nature of operations and established relationship with reputed clientele lending stability to volumes. The ratings also consider the support derived from the presence of large windmill capacities (175.5 MW), enabling better capacity utilisation, and reduction in power costs especially.

The ratings, however, remain constrained by the group's product mix, largely skewed towards low to medium counts, which coupled with limited value addition exposes the group to competition from both domestic players and other low cost countries. The ratings remain tempered by the financial support extended (in the form of loans) to some of its other group entities; although the exposure has considerably reduced over the last few years.

Company Profile

Prabhu Spinning Mills Private Limited was set up in 1994 to boost the group's interest in the spinning business. In FY 04, Prabhu diversified into coarse yarn with the installation of 3840 rotors. Currently,

^{*} 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



the company has two units which are involved in the manufacture of cotton yarn and OE yarn respectively. The former has an installed capacity of 37,680 spindles while the OE division has a capacity of 11,840 rotors. The spinning division produces counts ranging from 20s to 40s where 100% compact yarn is produced. Bulk of the yarn manufactured by the company finds its application in knitting fabric. The OE division functions primarily as an in-house manufacturing division wherein bulk of the production (50%) is carried out on job-work basis.

Group Profile

Founded in 1981 by Late Mr. S. Chennimalai Gounder, the Shanmugavel group ("the group") is one of the largest textile groups in South India with interests in cotton yarn, knitted and woven fabric and engineered steel products. The groups' flagship company, viz. Sri Shanmugavel Mills (P) Limited (Shanmugavel) was set up in 1981 with an installed capacity of 24,640 spindles. Over the years the group has expanded its operations and has diversified into manufacture and sale of products such as combed cotton yarn, compact yarn, OE yarn, knitted fabric, and woven fabric. As of September 30 2015, the group has an installed capacity of 4,40,832 spindles, 11,840 rotors, 230 looms and 243 knitting machines manufacturing products across the textile value chain. The group has 229 windmills with a capacity to generate 175.5MW power.

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