



## Thanjavur Spinning Mill Limited

| Instruments                                      | Amounts<br>(Rs.Crore <sup>*</sup> ) | Rating Action                       |
|--|-------------------------------------|-------------------------------------|
| Term loan facilities                             | 70.61                               | [ICRA]B+ / Reaffirmed               |
| Long-term fund based facilities                  | 40.00                               |                                     |
| Short-term fund based (sub-limit) facilities     | (11.00)                             | [ICRA]A4 / Reaffirmed               |
| Short-term Non-fund based facilities             | 12.00                               |                                     |
| Short-term Non-fund based (sub-limit) facilities | (11.00)                             |                                     |
| Term loan facility                               | 35.00                               | [ICRA]AA-(SO) (Stable) / Reaffirmed |

ICRA has reaffirmed the long-term rating outstanding on the Rs.70.61 Crore term loan facilities and the Rs.40.00 Crore fund based facilities of Thanjavur Spinning Mill Limited (“TSML” / “the Company”) at [ICRA]B+ (pronounced ICRA B plus)<sup>†</sup>. ICRA has also reaffirmed the short-term rating outstanding on the Rs.11.00 Crore fund based (sub-limit) facilities, the Rs. 12.00 Crore non-fund based facilities and the Rs.11.00 Crore non-fund based (sub-limit) facilities of TSML at [ICRA]A4 (pronounced ICRA A four). ICRA has reaffirmed the long-term rating of [ICRA]AA-(SO) (pronounced ICRA double A minus Structured Obligation) outstanding on the Rs.35.00 crore term loan facility of TSML. The outlook on the [ICRA]AA- rating is stable. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA’s opinion on the general credit quality of the issuers concerned.

ICRA has taken a consolidated view of the business and financial profiles of the spinning entities in the Ramco Group (viz., Rajapalayam Mills Limited (RML), The Ramaraju Surgical Cotton Mills Limited, Sri Vishnu Shankar Spinning Mill Limited, Sandhya Spinning Mill Limited, Thanjavur Spinning Mill Limited and Sri Harini Textiles Limited – “the Group”) for the purpose of this rating, due to strong business and financial inter-linkages, common management control and extension of corporate guarantees by RML to other spinning companies in the Group.

The [ICRA]AA-(SO) rating is solely based on the strength of the corporate guarantee extended by The Ramco Cements Limited (“TRCL”), the bank facilities of which are rated [ICRA]AA- (Stable) and [ICRA]A1+. The rating action for TSML follows similar rating for the bank facilities of TRCL. The ratings addresses the servicing of the rated facilities to happen as per the terms of the underlying loan and the guarantee arrangement and the rating assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower.

The reaffirmation of the [ICRA]B+ and [ICRA]A4 ratings factor in the weak financial profile of the Company characterized by low net worth due to inventory losses in the past, thin margins and weak coverage indicators. TSML’s capitalization is also highly stretched owing to the debt funded capital expenditure in the past. Owing to weak accruals and minimal equity infusion the debt levels have remained high. The Company had utilized corporate loans to tide over the liquidity during 2011-12, 2012-13, and 2013-14. During 2013-14 the company had received preference share capital of Rs.25.00 crore from Rajapalayam Mills Limited; this has supported the capital structure and liquidity. However, the high debt repayment obligations in the medium term are expected to keep the liquidity under strain and increase its reliance on external debt/ financial support from group Companies to meet its debt obligations. The ratings are constrained by the low pricing flexibility of the spinners owing to low product differentiation and intense competition. During H1-2014-15, TSML posted net loss of Rs.4.0 crore; this coupled with subdued demand outlook for H2-2014-15, is likely to necessitate external funding/group support/refinancing for meeting the debt repayment obligations of over Rs.40.0 crore in 2014-15.

<sup>\*</sup> 100 lakh = 1 Crore = 10 million

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



The ratings also consider the company's established market presence, diversified product portfolio, rich experience of the promoters in the industry and the financial flexibility enjoyed by virtue of being a part of the Ramco group. TSML also has plans to raise funds through land and machinery sale, any significant proceeds from sale of land and consequent reduction in debt is likely to support the credit profile of the company. The Ramco Group has presence across diverse industries like cement, fibre cement products, spinning and software. The Group comprises entities like The Ramco Cements Limited (which has ratings outstanding of [ICRA]AA- (Stable) and [ICRA]A1+ on its bank facilities) and Ramco Industries Limited (which has ratings outstanding of [ICRA]A- and [ICRA]A1 on its bank facilities).

### **Company Profile**

Thanjavur Spinning Mill Ltd was incorporated in 1994 (formerly known as Thanjavur Textiles Ltd since 1961), pursuant to acquisition by "Ramco Group" in 2000 following a closure for two years. TSML is primarily engaged in the manufacture of cotton yarn. TSML has an installed capacity of 50,160 spindles and 776 rotors as on March 31, 2014 at its manufacturing facility at Thanjavur (Tamil Nadu).

TSML produces yarn counts ranging from 10s to above 80s (single/ double yarn). TSML also has to produce value-added yarn including compact spun and doubled yarn. Domestic market forms the bulk of the Company's revenues (at more than 70%). TSML has wind turbine generators (with installed capacity of 9 MW), to control power costs. TSML forms part of the "Ramco Group", which has other major entities like The Ramco Cements Limited (Formerly Madras Cements Limited), Ramco Industries Ltd and Ramco Systems Limited.

### **Recent Results**

For the six months ending September 30, 2014, TSML reported a net loss of Rs.4.0 Crore on an operating income of Rs.68.9 Crore. During 2013-14, the Company had a net loss of Rs.3.0 crore on an operating income of Rs.154.8 crore.

### **Guarantor's Profile**

TRCL is a leading cement player in South India with capacity of 12.5 million tonnes (apart from grinding capacities of 1.95 million tonnes which is being currently expanded to 2.95 mtpa) spread across the states of Tamil Nadu, Andhra Pradesh and Karnataka. TRCL manufactures and markets cement under the 'Ramco' brand predominantly in the southern markets of the country. TRCL has windmill capacity of 125.95 MW (post the transfer of 33.23 MW to a newly formed subsidiary, Ramco Windfarms Limited, during 2013-14) and captive thermal power plants with capacity of 157MW. TRCL is the flagship company of the Ramco Group ("the Group") which has interests in cement, fibre cement sheets, textiles (cotton yarn) and information technology. Key companies in the Group include Rajapalayam Mills Limited (rated [ICRA]BBB/Stable/[ICRA]A3+), Ramco Industries Limited (rated [ICRA]A-/stable/[ICRA]A1) and Ramco Systems Limited (rated [ICRA]A-(SO)/[ICRA]A1(SO) and also [ICRA]A+(SO)/[ICRA]A1+(SO)<sup>‡</sup>). The Ramco Group was founded in 1938 by Late Mr. P A C Ramasamy Raja and is presently managed by his son, Mr. P R Ramasubrahmaneya Rajha.

**February 2015**

*For further details, please contact:*

#### Analyst Contacts:

**Mr. Subrata Ray** (Tel. No. +91 22 30470050)  
subrata@icraindia.com

#### Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

---

<sup>‡</sup> The ratings for the various bank facilities of Ramco Systems Limited are backed by corporate guarantees from Ramco Industries Limited and The Ramco Cements Limited.



© Copyright, 2015, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500