

September 24, 2010

**CARE ASSIGNS 'CARE BB & 'PR4' RATINGS TO BANK FACILITIES OF  
AVANEETHA TEXTILES PVT LTD.**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank facilities	95.49	<b>CARE BB (Double B)</b>	Assigned
Short-term Bank facilities	5.76	<b>PR4 (PR Four)</b>	Assigned
<b>Total Facilities</b>	<b>101.25</b>		

**Rating Rationale**

The ratings are constrained by Avaneetha Textiles Private Limited's (ATPL) limited operational track record, the relatively small size of operations, weak financial profile characterized by high overall gearing, low profit margins, poor debt-coverage indicators and restructuring of bank loans in the recent past. The ratings also factor in the working capital intensive nature of operation, susceptibility of profits to volatile cotton prices and the poor power supply situation in the state of Tamil Nadu.

The ratings also factors in the experienced promoters and management team and ATPL's operational synergies with the promoter's family concern which is a major player in the textile market and the availability of fairly advanced machineries.

Going forward, the ability of ATPL to improve its profitability in a scenario of volatile raw material prices and the poor power supply situation in Tamil Nadu, infusion of equity and impact of any large debt-funded expansion on the overall risk profile of ATPL would be key rating sensitivities.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other publications of CARE

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## Company Profile

ATPL is a Coimbatore-based company engaged in the manufacture of cotton yarn. ATPL was incorporated in the year 2004 by Mrs. Uma Sekar and Mrs. Kalpana Anand, daughters of Mr. K. P. Ramasamy, the present chairman of KPR Mills Limited (KPR, Rated CARE A-/PR2+). ATPL commenced its operation with an installed capacity of 15,600 spindles in January 2007 and as on March 2010, had a capacity of 36,000 spindles. During FY09, ATPL registered a PAT of Rs.0.02 cr on a total income of Rs.60 cr. During FY10 (provisional), ATPL posted a PAT of Rs.2.52 cr on a total income of Rs.90 cr.

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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