

October 7, 2010

**CARE REVISED THE RATINGS ASSIGNED BANK FACILITIES OF
KANDAGIRI SPINNING MILLS LTD.**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank facilities	103.18 (Reduced from Rs.110.06 crore)	'CARE BB+' (Double B Plus)	Revised from 'CARE BB' (Double B)
Short-term Bank facilities	10.40 (Enhanced from Rs.9.40 crore)	'PR4+' (PR Four Plus)	Revised from 'PR4' (PR Four)
Long/ Short-term Bank facilities	4.00	'CARE BB+/PR4+' (Double B Plus/ PR Four Plus)	Assigned
Total Facilities	117.58		

Rating Rationale

The revision of ratings considers the improvement in overall financial performance of KSL during FY10 with healthy income growth, higher cash accruals and improvement in demand scenario for cotton yarn. The ratings however, continue to be constrained by KSL's sole presence in spinning segment which leads to volatile earnings, highly leveraged capital structure and poor power supply situation in Tamil Nadu notwithstanding improvement in the same during FY10.

The ratings continue to take into account KSL's established track record along with promoter's vast experience in the industry, its diverse products which offers various counts of yarn and value additions, synergies of operations with group firm (Sambandam Spinning Mills Limited) and the longstanding relationship with customers and ginners. Going forward, ability of the company to sustain its margins in view of volatile raw material prices and impact of any large debt funded expansion on overall risk profile of KSL would be key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careratings.com and other publications of CARE

Company Profile

KSL belongs to 'Sambandam' Group and is engaged in textile spinning with an aggregate capacity of 67,388 spindles and 552 rotors spread among three units manufacturing cotton yarn of various counts. KSL also has wind turbine generators with a capacity of 10.12 MW in Tirunelveli and Coimbatore districts of Tamil Nadu to meet its power requirement. KSL was promoted by Sri.K.R.Manicka Mudaliar, Sri.S.P.Sambandam, Sri.L.Manicka Mudaliar and Sri.A.Ganesa Mudaliar all of whom belong to the same family and were traditionally yarn merchants. During FY10, KSL posted a PAT of Rs.3.34 crore on a total income of Rs.106 crore.

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

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