

Rating Rationale

Brickwork Ratings reaffirms “BWR B+ /A4’ rating for the Bank Loan Facilities aggregating ₹8.21 Cr of A-Tex Home Collection

Brickwork Ratings (BWR) on a review has reaffirmed the following **Ratings¹** for the Bank Loan Facilities aggregating ₹8.21 crs of **of A-Tex Home Collection (ATHC or ‘the company’)**

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Ratings	Rating History October 2015
Fund Based Cash Credit	0.75	0.75	Long Term	Reaffirmed at BWR B+ (Pronounced BWR B Plus) (Outlook: Stable)	BWR B+ (Pronounced BWR B Plus) Outlook – Stable
Term Loan I	0.52	0.32			
Term Loan II	-	0.14			
PC/PCFC	3.00	3.00	Short term	Reaffirmed at BWR A4 (Pronounced BWR A four)	BWR A4 (Pronounced BWR A four)
FBN/AACB/PSFC	4.00	4.00			
Seasonal FBN/FBP	3.00	-			
Total	11.27	8.21	(INR Eight Crores and Twenty One Lakhs Only)		

BWR has principally relied upon the audited financial results up to FY15, provisional financial of FY16, projected financials of FY17 & FY18 and information /clarifications provided by the firm.

The rating has factored the extensive experience of the partners in the textile industry, the well-established clientele, improvement in net worth, low gearing in FY16 and comfortable coverage ratios. The rating is constrained by small scale of operations in a highly fragmented industry, susceptibility of profit margins to volatile raw material prices and firm being exposed to exchange rate fluctuation risk due to exports.

Background

A-Tex Home collections(ATHM) was incorporated in 1968 by Mr Chandra Gounder at Karur, TamilNadu .The business is being looked after by his grandson Mr K.G. Prithvi & his wife Mrs P.Devi Akilandeswari as partners in the firm

The firm is engaged in manufacture of Table covers, garment covers, cushion covers, chocolate pouches, Bags and covers for leather accessories & cosmetics. The firm primarily sold its products domestically till 2002. Now the firm is a 100% export oriented business and the products are sold to leading brands in Europe.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The firm has its manufacturing units at 4 locations, out of which 3 locations are centrally located in Karur and one unit is located in outskirts at Pavithram Village.

The firm has an average utilization of 75-80 % of its total installed capacity for the last three years

Management Profile

Mr. K.G.Prithvi and P.Devi Akilandeswari are the managing partners of the firm, who look after the day to day business.

Financial Performance

As per the provisional financials of FY16, ATHM has reported a Net Sales of ₹31.50crs. as against Net Sales of ₹22.65 crs. for FY15. PAT has increased to Rs.1.09 crores in FY16 from Rs.0.99 Crores in FY15. The Operating Profit Margin has increased to 11.49% in FY16 as compared to 8.53% in FY15. Tangible net worth as on March 31, 2016 was ₹5.87 crs. Debt to Equity ratio is improved to 0.98 times in FY16 from 4.23 times for FY 15.

Outlook

Going forward, the ability of the firm to increase its scale of operations, improve profitability margins while managing the volatility in the raw material prices and exchange rate fluctuation and manage the working capital efficiently would be the key rating sensitivities.

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