Rating Rationale

Brickwork Ratings reaffirms ratings at 'BWR BBB/A3+' for the Bank Loan Facilities aggregating ₹139.28 Cr of AKR Textile

Brickwork Ratings has reaffirmed the following **Ratings**[1] for the enhanced Bank Loan facilities of AKR Textile:

Facility	Previous Rated Limit (₹ Cr)	Existing & Proposed Limits (₹ Cr)	Tenure	Previous Rating (September 2015)	Present Rating
Fund Based **Term Loan***	13.01	**59.28**	**Long Term**	BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)	**Reaffirmed at BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)**
Fund Based **Packing Credit FOBP/FOUBP FOBNLC/FOUBNLC**	45.00 (6.00) 15.00	**70.00** **(6.00)** **10.00**	**Short Term**	BWR A3+ (BWR A Three Plus)	**Reaffirmed at BWR A3+ (BWR A Three Plus)**
Total	73.01	**139.28**	**INR One Hundred Thirty Nine Crores and Twenty Eight Lakhs Only**		

***Term loan includes proposed and outstanding amount as on 30 September 2016**

BWR has principally relied upon the audited financials up to FY16, projections for FY17 and FY18, publicly available information and information/clarifications provided by the firm's management.

The rating factors, inter alia, experience of the promoters in the garment export business, established track record of operations, reputed customer base, healthy order book position, growth in turnover of the firm in 6MFY17, expected revenue growth from the addition of two new units. However, the rating is constrained by thin profit margins, investments of the company on non-contributing assets, constitution of the firm being a partnership, working capital intensive operations and stiff competition in the garment exports business.

Background:
AKR Textile is a partnership concern operating since 2003 located in Tirupur, Tamil Nadu. The firm is a family owned partnership firm, Mr. K. Loganathan and Ms. L. Radhika are the partners. The firm is engaged in producing and exporting knitted garments to various countries. Currently, the firm has total 13 production units, 10 units in Tirupur and 3 units in Bangalore.

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

The firm has added two new units in Bangalore and Chittoor which are under implementation and yet to commence its operations.

Financial Performance:
The total operating income of the firm has decreased to ₹312.70 crores in FY16 from ₹339.22 crores in FY15. The firm reported net profit of ₹6.31 Cr in FY16 against ₹6.23 Crs in FY15. Partner's capital of the firm stood at ₹113.75 crores as on March 31, 2016.

Rating Outlook:
The rating outlook is expected to be stable over the current year. Going forward, the ability of the firm to increase profitability margins, maintain the financial profile, change constitution of the firm, manage working capital and exchange rate fluctuations efficiently would be the key rating sensitivities.

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