

Rating Rationale

Brickwork Ratings has Upgraded ratings to 'BWR BBB' & 'BWR A3+' for the Bank Loan Facilities aggregating ₹73.01 Cr of AKR Textile

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

Facility	Previous Limits (₹ Cr)	Present Limit (₹ Cr)	Tenure	Present Rating	Previous Rating (February 2014)
<u>Fund Based</u> Term Loan	6.55	13.01	Long Term	Upgraded to BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)	BWR BBB- (Pronounced BWR Triple B minus) (Outlook: Stable)
<u>Fund Based</u> Packing Credit	29.50	45.00	Short Term	Upgraded to BWR A3+ (BWR A Three Plus)	BWR A3 (BWR A Three)
FOBP/FOUBP	(4.00)	(6.00)			
FOBNLC/FOUBNLC	13.00	15.00			
Total	49.05	73.01	INR Seventy Three Crores and One Lakh only		

*Term loan outstanding as on 4th August 2015

BWR has principally relied upon the audited financials up to FY14, provisional financials for FY15 and projections for FY16 and FY17, publicly available information and information/clarifications provided by the firm's management.

The rating factors, inter alia, the strong industry experience of the promoters and management, promoters ability to infuse capital, established track record of operations, diversified and reputed international customer base, healthy revenue growth and order book position. However, the rating is constrained by constitution of the firm being a partnership, thin profit margins and stiff competition in the garment exports business.

Background:

AKR Textile started in 2003 as proprietary concern in Tirupur, Tamil Nadu. Subsequently, during 2011, the firm has been reconstituted to a partnership firm. The firm is engaged in producing and exporting knitted garments to various countries. The firm has 12 production units in Tirupur and 3 units in Bangalore. The firm also sells the knitted fabrics under the brand names of Check & Square and UNI Trend in the domestic market.

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

Management Profile:

AKR Textile is a family owned partnership firm Mr. K. Loganathan and Ms. L. Radhika are the partners with a share of 50% each. Mr. K. Loganathan has qualified in Textile Technology (Engineering). He has more than 15 years' experience in garment manufacturing and export business. Ms. L. Radhika is qualified with a B.Sc in Fashion Technology. She has more than 5 year of experience in administrative and designing.

Financial Performance:

The total operating income of the firm has increased to ₹339.22 Cr in FY15 from ₹261.24 Cr in FY14. The firm has reported an operating profit of ₹22.37 Cr in FY15 against ₹17.68 Cr in FY14 and the net profit of ₹6.23 Cr in FY15 as against ₹5.63 Cr in FY14. Partner's capital of the firm stood at ₹47.79 Cr as on March 31, 2015. The firm has moderate debt protection metrics and a debt equity ratio of 1.98X as on FY15.

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, improve net-worth and continue to manage currency risk and change constitution of the firm would be the key rating sensitivities.

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