Brickwork Ratings assigns 'BWR B' & 'BWR A4 for the Bank Loan Facilities aggregating ₹ 6.34 Cr of Acme Yarns Private Limited.

Brickwork Ratings (BWR) has assigned 'BWR B' **Rating**[1] for Long Term Bank Loan Facilities and 'BWR A4' for Short Term Bank Loan Facilities of Acme Yarns Private Limited *(AYPL or the Company).*

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based (FB)			
Term Loan	**2.59**	Long Term	**BWR B (Outlook -Stable)**
Cash Credit /ODBD (90 days)	**3.75**	Long Term/Short Term	**BWR B (Outlook - Stable)/BWR A4** (BWR A Four)
Total FB Limits	**6.34**	**(INR Six Crores & Thirty Four Lakhs Only)**	

BWR has principally relied upon the audited financial results up to FY13, FY14 provisional numbers & financial projections, publicly available information and information/clarification provided by the Company management.

The rating inter alia, factors the experience of the promoters in the line of manufacturing & trading of Cotton Yarns for more than a decade, long standing relations with reputed customer base and promoter's ability to infuse equity capital.

The rating is however constrained by company's relatively small scale of operations which restricts the company's pricing power in a fragmented industry, high debt/equity ratio, long working capital cycle leading to stretched liquidity position and highly competitive nature of industry.

Background

Acme Yarns Private Ltd. (AYPL), incorporated as private limited company in the year 2010, is engaged in the manufacturing and trading of Cotton Yarns. AYPL has its registered office at Raipur, Ahmedabad and manufacturing unit at Changodhar, Ahmedabad, Gujarat. AYPL is promoted by **Acme** group which consists of various business units under the name of **Acme International Ltd** (flagship company of the group, engaged in the business of Exports of Yarn), **Acme Cotsyn Pvt. Ltd.** (engaged in the manufacture of Denim Grey Cloth) and by Mr. Jitendrakumar Lalbhai & Mr. Nilesh Lalbhai.

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

The promoters and the other group concerns are predominantly engaged into the business of Trading in Cotton, Trading in Grey Cloth, Trading in Yarn, Indenting for Cotton & Grey products (Export), Manufacture of Grey (Cotsyn), Master Manufacturing of Yarns using the facility of Mafatlal Industries Nadiad and Export of Yarns & Cloth. Acme Yarns Pvt. Ltd has been promoted to setup yarn manufacturing facility as a part of "Backward-Forward Integration" Strategy for the Acme Group. For this, the group has purchased from Supernova Exim Pvt. Ltd. its existing Facility in form of Land, Building and Plant & Machinery located at Changodhar. The said unit is spread across 9980 sq. mtrs and construction area of appx 1000 sq. mtrs. Currently the Plant & Machinery consist of 12500 spindles. This facility is capable of producing 160 Tons per month of yarn at 92% utilization in 2 shifts.

Financial Performance (Provisional FY14 numbers)

Revenues increased by 21.29% to ~₹21.29Cr in FY14 compared to ₹17.39Cr in FY13. However, with healthy order book in hand & expansion plans in place, AYPL is expected to achieve its estimated revenues in FY15. Further, on account of better operating efficiency, AYPL reported operated profit of ₹1.21 Cr in FY14 as against ₹1.10 Cr in FY13. The operating margin stood at 5.70% in FY14 as against 6.35% in FY13. The net profit level has increased to ₹0.47Cr from ₹0.40Cr with margins of ~2.19%.

The tangible net-worth of the Company stood at ₹1.85Cr as on FY14 as compared to ₹1.19Cr as on FY13. The total debt levels of the Company as on FY14 was ₹8.64Cr as compared to ₹8.36 Cr as on FY13. The debt/equity ratio is high at 4.67x in FY14. Debt levels has shown increasing trend in recent years mainly consisting of working capital loan due to higher order inflows. Driven by stretch operating cycle, AYPL's reliance on bank funding for working capital requirements has increased.

Rating Outlook

AYPL has experienced promoters, diversified product portfolio and long standing relations with reputed customer base. However, it has relatively small scale of operations, long working capital cycle and high debt/equity ratio. Hence, going forward, the ability of the Company to effectively manage its working capital requirements, infuse equity and thereby improve its debt/equity ratio and consistent growth in revenues & profit margins are the key rating sensitivities.

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