



Rating Rationale

Alpine Knits India Pvt. Ltd.

17 Aug 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹37.50 Crores of Alpine Knits India Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2017)	Present
Fund Based:					
OCC	6.50	13.50	Long Term	BWR BB BWR Double B Outlook:Stable	BWR BB BWR Double B Outlook: Stable Reaffirmed
Term Loan	8.70	4.00			
Non Fund Based:					
ILC/FLC	25.00	20.00	Short Term	BWR A4+ BWR A Four Plus	BWR A4+ BWR A Four Plus Reaffirmed
Total	40.20	37.50	INR Thirty Seven Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited consolidated financials of FY17, provisional consolidated financial statements for FY18, projected financials of Alpine Knits India Pvt Ltd upto FY20, publicly available information and clarifications provided by the company's management.

The rating draws strength from the experience of the promoters in the textile industry, established operational track record, long standing relationship with customers and suppliers, improving revenue & profitability margins. However, the rating is constrained by the fluctuating trend in revenue generation, modest scale of operations and thin profitability margins, susceptibility of profit margins to volatility in



cotton prices. intense competition in a highly fragmented industry. seasonality risk associated with cotton industry and working capital intensive nature of operations.

Going forward the ability of the company to improve its scale of operations, improve its profitability, strengthen its financial profile and to manage its working capital efficiently will be key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Experienced Promoters:

The promoter of Alpine Knits India Pvt Ltd have over a decade of business experience in the Textile industry. The company has been operational since 2004 .

Moderate debt servicing metrics:

The firm has moderate debt servicing metrics in FY17 as indicated by an ISCR (Interest Service Coverage Ratio) of 1.64 times and DSCR (Debt Service Coverage Ratio) of 1.11 times respectively.

Geographical Advantage:

Locations of the company's manufacturing unit enables easy access for procurement of raw material. as the manufacturing unit is located in the textile processing industry belt in Tamil Nadu.

Credit Risks:

Stretched capital structure and Working capital intensive nature of operations:

The company has a stretched capital structure as indicated by the Total debt to Tangible Net Worth Ratio of 14.62 times due to high external borrowings and low tangible net worth of the company. The operations of the company are Working capital intensive indicated by a current ratio of 0.78 times respectively as on FY17.

Moderate Scale of operations and Thin Profitability margin:

The company has moderate scale of operations as indicated by the revenue levels and low profitability. The company has thin profitability margins as indicated by a net profit margin of -0.29% in FY17 and 0.16% in FY16. The company incurred losses in FY17.

Highly fragmented nature of Industry:

Entry barriers in the textile industry are low on account of low capital and technology requirement and low differentiation in end product, this results in intense competition from organised and unorganised players in the market and limits players pricing power resulting in low profitability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



Rating Outlook: Stable

BWR believes the **Alpine Knits India Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

M/s Alpine Knits India P Ltd (AKIPL) established in 2002, The company is promoted by Mr. P.Vikramaraj and Mr.R.R.Srinivasan. The company is primarily involved in doing agency business for a host of sewing machinery brands from Singapore, Japan and other countries. The company started its spinning mill operations in 2007. The company's manufacturing unit is located in Palladam taluk, Tiruppur. The company has the support of various associate concerns namely Anugraha Fashions Mill P ltd, Free look Fashions, Prasanna Spinning Mills P Ltd, Armstrong Spinning Mills P Ltd etc. operating in similar line of business.

Company Financial Performance

The revenue of company has a y-o-y increase. The net sales of the company grew by 7.85% from FY16 to FY17. However in FY18 provisionals Net sales revenue is estimated at Rs 119.40 Crs as against 139.97 Crs in FY17. In FY17 the company reported a net loss of Rs (0.40) as against profit of Rs 0.20 Crs in FY16. In FY18 the company estimates a net profit of Rs 0.50 Crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Apr, 2017	Dec, 2016	2015
1	OCC	Long Term	13.50	BWR BB Outlook : Stable (Reaffirmed)	BWR BB Outlook : Stable	BWR BB Outlook : Stable (Rating not Reviewed)	-
2	Term Loan		4.00				-
3	ILC/ FLC	Short Term	20.00	BWR A4+	BWR A4+	BWR A4+ (Rating Not Reviewed)	-
	Total		37.50	₹ Thirty Seven Crores and Fifty Lakhs Only			



Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Crs	139.97	129.78
EBITDA	Crs	8.43	8.05
PAT	Crs	(0.40)	0.20
Tangible Net worth	Crs	3.17	3.45
Total Debt/Tangible Net worth	Times	14.62	14.05
Current Ratio	Times	0.78	0.97

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure-I Details of Bank Facilities ₹ Crores

Name of the Bank	Name of Facility	Tenure	Previous Limits (April, 2017)	Present Limits
Canara Bank	OCC	Long Term	6.50	13.50
	Term Loan		6.66	4.00*
	ILC/FLC	Short Term	25.00	20.00
Punjab National Bank	Term Loan	Long Term	2.04	-
Total	INR Thirty Seven Crores and Fifty Lakhs Only.		40.20	37.50

*Term Loan outstanding as on July 30, 2018 has been considered for the bank loan rating.