

## Rating Rationale

### Brickwork Ratings reaffirms 'BWR BB' & 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 38.08 Cr of Alpine Knits India Pvt Ltd

Brickwork Ratings (BWR) has *reaffirmed* the following **Ratings**<sup>1</sup> for Bank Loan facilities (*reduced from Rs.44.33 Cr*) of Alpine Knits India Pvt. Ltd ('AKIPL' or 'the Company').

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit	10.00	Long Term	<b>BWR BB</b> (BWR Double B)  <b>Outlook - Stable</b>
Term Loan	13.18*		
ILC/FLC	12.40	Short Term	<b>BWR A4+</b> (BWR A Four Plus)
Bank Guarantee	2.50		
<i>Total</i>	<b>38.08 (INR Thirty Eight Crores and Eight Lakhs only)</b>		

\* Term loans outstanding balance as on 31/12/13

BWR has principally relied upon the audited financial results up to FY13, provisional financial results up to Sept 2013 and projected financials of FY14 of AKIPL, publicly available information and information/clarification provided by the Company management.

The rating has factored, inter alia, the promoters' vast experience in the textile sector, the well-established clientele, technically qualified staff ability of the Company to increase its scale of operations and manage working capital efficiently. The rating is constrained by thin profit margins, intense competition, relatively small scale of operations and volatility associated with raw material prices.

#### Company Background

AKIPL, a private limited Company was incorporated in 2002 to do business as an agent of sewing machinery brands from Singapore, Japan and other countries. In the year 2007, the Company has started spinning of cotton yarn at Palladam taluk, Tirupur, Tamilnadu. Installed capacity of the Company is 20400 spindles. Capacity utilization is at around 90 percent.

The Company's major revenue is from sales of Cotton yarn (40%), Cloth (30%) and Sewing machinery (25%). The remaining share of sales is from sale of Scrap, waste cotton and other exports.

<sup>1</sup>Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The company manufactures 100% Hosiery yarn for counts between Ne 10s to 40s. The mill has state of the art machinery from LMW- Coimbatore, MURATEC-Japan and USTER testing equipment. The Company procures the best quality cotton from selected ginning factories in Gujarat with whom the company has excellent business relationship.

### Management Profile

The Company was promoted by Mr.P.Vikramraj aged 46 years and Mr.R.R.Shrinivasan aged 45 years. Both have been dealing in chemical business earlier and in the year 2002 they have entered into textile industry along with Mr.Raja M.Shanmugam and Mr.M.Ramaswamy who are into this textile business for the last 20 years.

### Financial Performance

During the FY13, the company had revenues of Rs.98.22 Cr compared to revenues of Rs.75.64 Cr in FY12.

Though there was increase in sales in FY13, the net profit has reduced to Rs.0.33 Cr from Rs.0.37crs in FY12 due to increase in interest expenses. The Company has very low net profit margin due to high cost of purchases and interest and finance charges.

As the company has achieved sales of Rs.94.56 Cr, up to January 2014, the company is confident of surpassing the targeted sales for FY14.

The Company's tangible net worth has improved from Rs.5.27 Crs to Rs.7.53 Crs on account of infusion of Preference share capital to the extent of Rs.1.96 Cr during FY13 The debt equity ratio is high at 4.27x. The company has revalued its factory land by Rs.9 Cr during Sept 2012.

### Rating Outlook

Going forward, the ability of AKIPL to expand its scale of operations leading to improvement in turnover and profitability, manage its working capital cycle effectively and sustain the favorable capital structure will be the key rating sensitivity factors.

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