

Rating Rationale

Brickwork Ratings assigns 'BWR A4' for the Bank Loan Facilities aggregating ₹ 7 Cr of Amaravathi Garments Manufacturing Company

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Loan Facilities sanctioned by *State Bank of India* to Amaravathi Garments Manufacturing Company ('AGMC' or 'the firm').

Facility	Limits (₹ Cr)	Tenure	Ratings
Export Packing Credit	4.50	Short Term	BWR A4 (BWR A Four)
FBDN	1.50		
Stand by Limit	1.00		
Total	7.00	INR Seven Crores only	

BWR has principally relied upon the audited financial results for FY11, FY12 and FY13 of the firm, publicly available information / clarifications provided by the firm's management.

The rating has, inter alia, factored the promoter's background, track record of the firm and established relationship with its Clients. The rating is however constrained by low operating profit margin, net profit margin, gearing ratio and accruals from profitability.

Background:

Amaravathi Garments Manufacturing Company was started as a proprietorship firm by Mr. P.K.M. Thurai in 1978. It was converted in to a partnership firm in 1995 with friends and family members. Subsequently, it was reconstituted in 2008. The present partners are Mr. P.K.M. Thurai, Ms. Kousalya Devi Mr. Sabarikumar.

The firm's core competency is manufacturing of garments for Kid's, Men's and Women's wear to international market. The firm is having long standing relationship with one of the giants in retail market M/s. Walmart for about more than a decade also with other customers and suppliers for more than a decade. The firm has one manufacturing unit which is in Karayanchavadi and administrative office at Kodambakkam, Tamilnadu. Manufacturing unit is having about 100 stitching machines with 170 full time workers.

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

Management Profile:

Mr. P.K.M. Thurai, aged about 70 years is the managing partner of the firm. He has vast knowledge in garments and experienced in this line of business for more than three decades and he is managing production unit. Ms. Kousalya Devi is wife of Mr. P.K.M. Thurai, aged about 61 years and holding a bachelor degree in commerce. She is having good experience in managing firm's day-to-day operations and accounts. Mr. Sabarikumar is a son of Mr. P.K.M. Thurai, has more than a decade of experience in the business and taking it forward to Europe market to increase visibility of the firm to increase revenue.

Financial Performance:

During FY13, the net revenues from operations increased to ₹ 24.67 Cr from ₹ 17.45 Cr in FY12. The firm's operating profit margin slightly decreased to 3.25 per cent in FY13 from 3.85 per cent in FY12 and the net profit margin decreased to 0.77 per cent in FY13 from 0.82 per cent in FY12. Current ratio is at 1.17 times in FY13. The tangible net-worth stood at ₹ 3.05 Cr as on 31st Mar 2013 decreased from ₹ 3.07 Cr in FY12.

Rating Outlook:

Going forward, the firm's ability to improve its efficiency by managing its working capital, maintain optimal capital structure and improve its profit margins by increasing operational efficiency will be the key rating sensitivities. The rating outlook is expected to be stable over the next one year.

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