

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' to the Bank Loan Facilities of ₹ 14.40 Cr for Anilkumar And Company.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities amounting to ₹ **14.40 Cr** of **Anilkumar And Company** ("AKAC" or "the Firm"):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit Term Loans	10.00 4.40	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable
Total	14.40	INR Fourteen Crores and Forty Lakhs only	

BWR has essentially relied upon the Firm's audited financial results up to FY13, provisional key financial figures of FY14, publicly available information and the information/clarifications provided by the Firm.

The rating has factored the experience of promoters in the textile industry, the established track record of operations, long standing relationships with suppliers and customers, locational advantages and the ongoing expansion plan, which is expected to drive future revenue growth. The rating is constrained by the subdued financial risk profile marked by low net worth, geographical concentration and the susceptibility of its operating profitability to volatility in raw material prices and industry competition and risks related to project execution.

Background:

Anilkumar And Company (AKAC) was established as a Partnership Firm in 1978. The firm is engaged in ginning, pressing and trading of cotton. The firm's manufacturing unit is located at Bijapur, Karnataka. The firm currently has 38 gins and 2 pressing units. The firm was initially started with 400 bales and is currently producing 78000 bales per year.

The firm is currently implementing a new project involving setting up of a fully automatic and on-line processing plant with 41 gins and 1 press. The project cost of ₹ 6.250 Cr is proposed to be funded by term loans of ₹ 4.40 Cr and equity of ₹ 1.85 Cr. The said project is under implementation and expected to be completed by November 2014.

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

The customers of the firm are from Tamil Nadu and include Thyagarajar Mills, Sri Ramalinga Mills, Super Spinning Mills, Tirupur Textiles Ltd. and Premier Group of Mills. All the customers of the firm are located in Tamil Nadu. The raw material considered for the ginning operations is raw cotton/kappa cotton. The firm procures raw materials through farmers and through agents.

Management:

The Partners of the Firm are Mr. Siddramappa B Aneppanavar, Mr. Anil Kumar B Aneppanavar, Ms Rekha A Aneppanavar and Ms. Poornima S Aneppanavar, who hold 20%, 20%, 30% and 30% respectively. All the partners are well experienced in this industry.

Financial Performance:

Net Sales of the Firm increased from ₹ 114.97 Cr in FY 12 to ₹ 151.60 Cr in FY 13. Profit before tax has declined from ₹ 0.70 Cr in FY 12 to ₹ 0.43 Cr in FY 13 on account of increase in operating expenses in FY 13. AKAC's net worth stood at ₹ 5.17 Cr as at March 31, 2013 and Overall Debt Equity Ratio was at 0.86 times in FY13. On a provisional basis, the Firm has achieved Net Sales and Profit before tax of ₹ 171.29 Cr and ₹ 1.82 Cr for FY14.

Rating Outlook:

The outlook is expected to be stable for the current year. The ability of the Firm to significantly increase its revenues, pass on the fluctuations in raw material prices to customers, effectively execute its projects in a timely manner, improve its profitability and overall financial risk profile and achieve geographical and customer diversification will be the key rating sensitivities.

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