



Rating Rationale

Annamalaiar Mills Pvt. Ltd.

10Apr2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹10.95 Crores of Annamalaiar Mills Pvt. Ltd. ('AMPL' or 'the Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June 2017)	Present
Fund based	6.21	7.95	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable Reaffirmed
Non Fund Based	3.00	3.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Total	9.21	10.95	INR Ten Crores and Ninety Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating dated 09.06.2017 was moved to 'rating not reviewed' category on 10.09.2018. Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, publicly available information and clarifications as provided by the Company's management.

The rating factors in the operational track record of the Company, captive power consumption from the windmill unit, increased revenue, improved profit margins and adequate interest coverage ratio. The rating, however, is constrained by the Company's moderate scale of operations, low networth, high gearing and intense competition in the industry.



Going forward, the ability of the Company to further enhance its scale of operations while retaining the profit margins and improve its networth and payable position, would remain the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths: The Company, established in 1955, has an operational track record of more than five decades. The Company has a 750 kilo-watt windmill power unit at Udumalpet in Tamilnadu for captive consumption. Total operating income of the Company has improved from ₹43.21 Cr in FY17 to ₹48.84 Cr in FY18. With captive power consumption of its wind mill and lower raw material prices during FY18 business operations, the operating profit margin has improved from 5.72% in FY17 to 6.81% in FY18. Thereby, with reduced interest and finance charges on account of decreased interest rate for its working capital loan, the Company has registered a net profit margin of 0.78% in FY18 against the net loss in FY17 resulting in improved interest coverage ratio from 1.62 times in FY17 to 2.46 times in FY18.

Credit Risks: The scale of operations of the Company remains moderate in a highly fragmented industry, with an average revenue of ₹45.49 Cr in last three financial years. Networth of the Company stands at ₹2.43 Cr as on 31st March 2018 with a gearing of 3.87 times in FY18.

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 **Annamalaiar Mills 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

Annamalaiar Mills Pvt Ltd was established in 1955 in Dindigul, Tamil Nadu and is engaged in manufacturing of cotton yarn. The Company is managed by Mr. S Jayabalan. It manufactures combed cotton yarn in counts ranging from 10's to 92's with a manufacturing capacity of 26,288 spindles and 160 rotors. The company has sales outlets at Karur, Ichalkaranji, Mumbai, Kanpur and Kolkata.

Company Financial Performance

As per audited financials of FY18, the Company has achieved a total operating income of ₹48.84 Cr with an operating profit of ₹3.33 Cr and net profit of ₹0.38 Cr.

Rating History for the last three years

S.No	Facilities	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	10.09.2018	09.06.2017	22.03.2017
1.	Fund Based	Long Term	7.95	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable Reaffirmed	Rating Not Reviewed	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	Rating Not Reviewed
2.	Non Fund Based	Short Term	3.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed		BWR A4 (Pronounced as BWR A Four)	
Total			10.95	₹ Ten Crores and Ninety Five Lakhs Only			

Initial rating of BWR BB-/A4 (Outlook: Stable) was assigned on 27.05.2014

Status of non-cooperation with previous CRA - None

Any other information - Nil

Key Financial Indicators

Key Parameters	Units	FY18	FY17
Result Type		Audited	Audited
Operating Revenue	₹Cr	48.84	43.21
EBITDA	₹Cr	3.33	2.47
PAT	₹Cr	0.38	-0.14
Tangible Net worth	₹Cr	2.43	2.05
Total Debt/Tangible Net worth	Times	3.87	3.52
Current Ratio	Times	0.75	0.72



Hyperlink/Reference to applicable Criteria

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

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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.

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 reason.

Annexure I

₹Cr

Name of the Bank	Name of Facilities	Tenure	Previous Amount	Present Amount
Karur Vysya Bank	OCC	Long Term	5.00	5.00
	Term Loan I		0.46	Closed
	Term Loan II		0.75	Closed
	HPMA		-	2.95
	ILC/FLC	Short Term	3.00	3.00
Total			9.21	10.95

Note: Along with the above mentioned facilities, the Company also avails forward contract limit in the form of CEL amounting to ₹0.33 Cr.