

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan facilities aggregating ₹ 7 Cr of Annamalaiar Mills Pvt Ltd

Brickwork Ratings has assigned the following **Ratings¹** for Bank Credit facilities of Annamalaiar Mills Pvt. Ltd. (AMPL).

Facility	Limits (₹ Cr)	Tenure	Rating
CC	4.00	Long Term (Fund Based)	BWR BB- (BWR Double B Minus) (Outlook-Stable)
FLC	3.00	Short Term (Non-Fund Based)	BWR A4 (BWR A Four)
Total	7.00	INR Seven Crores only	

The rating factors, inter alia, the experience of the promoters and established track record of the company in the cotton spinning industry, captive generation from the wind mill unit, comfortable debt protection metrics and moderate financial risk profile. However, the rating is constrained by modest scale of operations, high payables and highly volatile cotton prices

Background:

Annamalaiar Mills Pvt. Ltd (AMPL), based in Dindigul (Tamil Nadu), was incorporated in 1955 by Mr. Saketh Ramasamy Naidu. The company is engaged in manufacturing of cotton yarn. It currently manufactures combed cotton yarn in counts ranging from 10's to 92's, but focuses primarily on the 55's count. It has a capacity of 26,288 spindles and 160 rotors. It also has 750 kW wind mill unit at Udumalpet in Tamil Nadu. The company is managed by Mr. G Ravindran (nephew of Mr. Naidu) and Mr. S Jayabalan (son of Mr. Naidu). The company has sales outlets at Karur, Ichalkaranji, Mumbai, Kanpur and Kolkata.

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

Management Profile:

The company is a closely held private limited company having six directors on the board headed by Mr S Jayabalan, Managing Director. Other directors are Mr Veluswamy, Mr M Amarnath, Mr R Sivashanmugam, Mr R R Arvind and Ms Navamani Soundararajan.

Financial Performance:

During FY13, the net revenues increased to ₹ 40.20 Cr from ₹ 34.68 Cr in the previous year. The Firm's net profit margin has increased to 6.07% in FY13 from a loss of 9.32 % in FY12. ISCR is at 3.16 times in FY13. Current ratio has increased from 0.62 times as on FY12 to 0.74 times as on FY13. Debt equity ratio is moderate at 1.56 times as on FY13. The tangible net-worth was 4.81 Cr as on FY13.

As per FY14 provisional financial statements, the firm has achieved net revenue of Rs 49.97 crs with a PAT of Rs 4.32 crs.

Rating Outlook:

The rating reflects the position of the company in the Cotton Spinning industry and its established track record. AMPL's ability to sustain the growth in revenues and improve its profitability, payables position and manage its working capital efficiently will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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