



Rating Rationale

Anugraha Fashion Mill Private Limited

Sept 4, 2017

Brickwork Ratings on review revises ratings for the Bank Loan Facilities of Rs. 39.96 Crores of Anugraha Fashion Mill Private Limited. ('The Company' or 'AFMPL')

Particulars

Facility	Previous Limits in ₹ Crores (Jul 2016)	Present Limits in ₹ Crores (Aug 2017)	Tenure	Previous Ratings July 2016	Review Ratings Aug 2017
Fund Based					
Cash Credit	3.00	3.00	Long Term	BWR BBB- (BWR Triple B Minus) Outlook: Stable	BWR BBB (BWR Triple B) Outlook: Stable Upgradation
Term Loans [^]	11.92	10.34			
FCLR [^]	3.03	1.62			
PC/PCFC/FDB/ FBE/BRD	25.00	25.00	Short Term	BWR A3 (BWR A Three)	BWR A3+ (BWR A3 Plus) Upgradation
Total	42.95	39.96	INR Thirty Nine Crores and Ninety Six Lakhs Only		

[^]O/s amount as on Aug 10, 2017

*For definition of the ratings please refer to our website www.brickworkratings.com

Ratings Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials up to FY16, provisional financials of FY17, publicly available information and information/ clarifications provided by the Company management

The ratings derive strength from increased scale of operations in FY17, healthy tangible net worth, continued low gearing level and strong debt protection metrics. The ratings also derive strength from experience of the directors and long track record of the company. However, the ratings are constrained by fluctuating profitability margins, exposure to forex risk, and stiff intense competition in the industry.

Going forward, ability of the company to sustain the revenues and gearing level achieved and to manage its liquidity position effectively and forex risk will remain key rating sensitivities,



Description of Key Rating Drivers

Key Rating Strengths

- **Experienced Promoters:** Company is managed by Mr. P Moghan. Mr. M Manoj Prabagar and Mrs. M Raajeswari are the other directors of the company. All the directors have vast experience in the industry.
- **Long Track Record:** Prior to incorporation, Company was earlier known as Fab N Fabrics which started as a partnership firm in 1988 promoted by Mr. P Moghan and Mrs. M Raajeswari. Later in Oct 2008, it was reconstituted to a private limited company and renamed as Anugraha Fashion Mill Private Limited.
- **Healthy order book position:** Company order book position as on Aug 23, 2017 was Rs. 91.64 Crores.
- **Improvement in scale of operations & Low gearing profile:** Company had registered revenue Y-O-Y growth of 37.36% in FY17. The increase in revenues was mainly on account of increase in export orders, during FY17, exports share in revenue is ~76% and rest ~24% was domestic sales. The company is majorly exporting to the countries such as Brazil, Hong Kong, Netherland, U K, France, Finland and Belgium. Company's gearing level has improved from 1.23x in FY16 to 0.92x in FY17 on account of retention of profits.

Key Rating Weaknesses

- **Fluctuating profitability margins:** Company has reported fluctuating profitability margins on account of volatility in raw material pricing, as major raw material is agro based commodity and seasonal in nature.
- **Exposure to Forex Risks:** Company is exposed to forex risks as ~75% of revenues in the company are from exports. The company is mitigating the forex risks by hedging with forward contracts.

Analytical Approach

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Anugraha Fashion Mill Private Limited** 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

Anugraha Fashion Mills Private Limited, incorporated in 2008, is located at Tirupur. Prior to incorporation, it was established as a partnership firm in 1988 as “*Fab N Fabrics*” and reconstituted as AFMPL in 2008. The company is engaged in spinning cotton yarn and manufacture of hosiery garments for exports.

The manufacturing facilities consist of spinning unit, garment unit, printing unit and knitting unit. The company’s range of products caters to Men, Women, Children and Infants.

Company Financial Performance

As per FY17 provisional financials, Company has achieved net revenue of Rs. 174.34 crores as against Rs. 126.92 Crores. Share of Exports in revenues increased from ~50% in FY16 to ~76% in FY17. EBIDTA & PBT were reported at Rs. 25.00 Crores & Rs, 17.79 Crores in FY17 as against Rs. 18.06 Crores & Rs. 8.20 Crores in FY16 respectively. Company has reported strong debt protection metrics in FY17. Liquidity position of the company improved from 0.85X in FY16 to 1.41X in FY17.

Rating History for the last three years: (including withdrawn/suspended ratings)

Instrument /Facility	Current Rating (2017)			Rating History		
	Type (Long Term/ Short Term)	Amount (Rs Crs)	Rating	27 Jul 2016	4 Aug 2015	16 Sep 2014
Fund Based	Long Term	14.96	BWR BBB (BWR Triple B) Outlook: Stable Upgradation	BWR BBB- (BWR Triple B Minus) Outlook: Stable	BWR BB+ (Outlook: Stable)	BWR B+ (Outlook: Stable)
Fund Based	Short Term	25.00	BWR A3+ (BWR A3 Plus) Upgradation	BWR A3	BWR A4	BWR A4
		39.96	INR Thirty Nine Crores and Ninety Six Lakhs Only			

Annexure-I

Key Financial Indicators

Particulars	Units	FY15 (Audited)	FY16 (Audited)	FY17 (Provisional)
Net Sales	Rs. Crores	108.82	126.92	174.34
Total Operating Income	Rs. Crores	113.94	133.42	185.97
EBITDA	Rs. Crores	14.34	18.06	25.00
PAT	Rs. Crores	6.08	5.73	17.67
Tangible Net worth	Rs. Crores	31.72	37.44	55.12
Debt Equity	In Times	1.47	1.23	0.92
Current Ratio	In Times	0.84	0.85	1.41

Hyperlink/Reference to Applicable Criteria

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

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives

in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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