

## Rating Rationale

### Brickwork Ratings on a review, upgrades ratings to ‘BWR BBB-’ & ‘BWR A3’ for the Bank Loan Facilities aggregating to ₹ 42.95 Crores of M/s Anugraha Fashion Mill Private Limited.

On a review, Brickwork Ratings (BWR) has upgraded the following **Ratings**<sup>1</sup> for the enhanced Bank loan facilities aggregating to ₹ 42.95 Crores (enhanced from ₹ 37.88 Crores) of Anugraha Fashion Mill Private Limited (*The Company or AFMPL*), as under

Facility	Previous Limits in ₹ Crores	Present Limits in ₹ Crores	Tenure	Previous Ratings Aug 2015	Review Ratings
<b>Fund Based</b>					
Cash Credit	3.00	3.00	Long Term	<b>BWR BB+</b> (BWR Double B Plus) <b>Outlook: Stable</b>	<b>BWR BBB-</b> (BWR Triple B Minus) <b>Outlook: Stable</b> <b>Upgradation</b>
Term Loans Existing	5.72	6.42			
Proposed	0.00	5.50			
FCLR	4.16	3.03			
PC/PCFC/FDB/FBE/BRD	25.00	25.00	Short Term	<b>BWR A4</b> (BWR A Four)	<b>BWR A3</b> (BWR A Three) <b>Upgradation</b>
<b>Total</b>	<b>37.88</b>	<b>42.95</b>			

<sup>^</sup>O/s term loans (existing) as on Jul 20, 2016

BWR has principally relied upon the audited financial results up to FY15, provisional financials of FY16, publicly available information and information/clarification provided by the Company’s management.

The ratings derive strength from increased scale of operations in FY16, favorable tangible net worth when adjusted with unsecured loans, low gearing with modest level of external borrowings. The ratings also derive strength from experienced directors and long track record of the company. However, the ratings are constrained by customer concentration risk, continued stressed liquidity, exposure to forex risks and intense competition in the industry.

### Background

Anugraha Fashion Mills Private Limited, incorporated in 2008, 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 of cotton yarn and manufacture of hosiery garments for exports.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The manufacturing facilities consist of spinning unit, garment unit, printing unit and knitting unit. Company has successfully implemented its capex (addition of one garment unit) at Vattamalai and operations for the new unit have commenced from September, 2015 onwards. Company has also successfully implemented 1.2MW roof top solar power plant at Vattamalai for which the Company proposes to fund with an additional loan (proposed) of Rs. 5.50 crores from the bank. Company is utilizing around 80% of the installed capacities in all the units.

### Financial Performance

As per the provisional FY16 financials, scale of operations improved by ~17.73% i.e. from Rs. 109.91Cr in FY15 to Rs. 133.59Cr. Breakup of exports and domestic revenues stood at 50.24% and 49.76% respectively. Out of domestic sales, ~40% of revenues were to Free Look Fashions (Sister Concern). Operating profit margin has improved from 12.58% in FY15 to 16.67% in FY16. However, due to forex loss, net profit margin has slight declined from 5.34% in FY15 to 5.22% in FY16.

Gearing level of the company improved from 1.47X in FY15 to 1.18X in FY16 and when adjusted with unsecured loans from directors, debt equity reported at 0.71X in FY16. Tangible net worth stood at Rs. 38.95 Crs as on March 31, 2016.

### Rating Outlook

The outlook of the Company is expected to be stable over the next one year. The ratings assigned are subject to review based on audited financials of FY16. Going forward, ability of the company to improve scale of operations further and improve the profitability margins, to mitigate its forex risk, sustain the capital structure and managing its working capital cycle will remain key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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