

Rating Rationale

Brickwork Ratings assigns 'BWR B+' with 'Stable' Outlook for the long-term Bank Loan Facilities sanctioned to Apex Clothing Company India Pvt. Ltd. aggregating ₹ 100 Cr

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of Apex Clothing Company India Pvt. Ltd.

Facility	Amount (₹ Cr)	Tenure	Rating
Term Loan 1	39.20	Long Term	BWR B+ (BWR B Plus) (Outlook: Stable)
Term Loan 2 (FLC to be converted into Term Loan)	60.80		
Total	100.00	(INR One Hundred Cr only)	

The rating has factored, inter alia, the team of qualified and experienced directors, the track record of promoting firms/companies and minimal operational cost involved with running a solar plant resulting in higher margins. However, the rating is constrained by the project implementation risk, risk of being unable to achieve the projected revenues and profitability and regulatory risk.

Background:

ACCIL was incorporated as a Private Limited company in November 2012 for setting up an integrated textile unit in the state of Gujarat., There was a delay in obtaining the necessary land allotment from the Gujarat Industrial Development Corporation (GIDC). Meanwhile, in order to leverage on the power shortage in the state of Tamil Nadu and the Renewable Energy Certificate mechanism that is prevalent in respect of Solar power generation, the company now proposes to set up a 20 MW solar power plant in the state of Tamil Nadu to provide power to its promoter group companies.

The group consists of companies like Alpine Knit India Pvt Ltd, Anugraha Fashion Mill Pvt Ltd, Armstrong Spinning Mills Pvt Ltd, SRG Apparels Pvt Ltd and Warsaw International which are all involved in the textile and readymade garments business.

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

Management Profile:

There are nine promoters/directors in the company and all of them are associated with promoter group companies of ACCIL. All the promoters are highly experienced and have an average experience of more than 20 years in the Textile Industry. The combined turnover of the group is more than Rs.750 crs.

Project details:

ACCIL proposes to set up a solar power generation unit of 20 MW at an estimated cost of Rs. 141.25 crs. This is proposed to be funded by promoters' contribution of Rs. 41.25 crs and Bank loan of Rs. 100.00 crs. As on December 31, 2013, the company has incurred Rs. 98.47 crs towards the project and has completed approximately 70% of the project. The project is expected to commence generation of power by Feb-March 2014.

In FY13 the revenue of the company was Rs. 0.42 Cr with a Net Margin of 0.02%. The revenue came from trading of readymade garments.

For the first full year of operations i.e. FY14, the company has projected revenues of Rs. 23.10 crs and net profit of Rs. 10.41 crs

Rating Outlook:

The ability of the company to complete the project within the estimated time, comply with the regulatory requirements and achieve the projected revenue and profitability levels remain the key rating sensitivities. The outlook is stable.

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