

Rating Rationale

Brickwork Ratings Revises rating to 'BWR BB' with Stable Outlook for the long term Bank Loan Facilities sanctioned to Apex Clothing Company India Ltd. aggregating ₹ 152.42 Cr.

Brickwork Ratings (BWR) has revised the following **Rating**¹ for the Bank Loan Facilities of Apex Clothing Company India Ltd (ACIL or the Company).

Facility	Previous Limits(₹Cr)	Present Limits(₹Cr)	Tenure	Rating History	Rating*
Fund Based Term Loan – I	39.20	37.22	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook – Stable) Feb 2014	BWR BB (Pronounced BWR Double B) (Outlook – Stable) Revised
Proposed Term loan - III	-	22.40			
Fund Based Term Loan – II	60.80	60.80			
Proposed Term loan - IV (FLC to be converted in to Term Loans)	-	32.00			
Total	100.00	152.42	INR One Hundred Fifty Two Crore and Forty Two Lakhs Only		

The rating continues to reflect, inter alia, the team of qualified and experienced directors, the track record of promoting firms/companies, successful commissioning of 20 MW solar plant and minimal operational cost involved with running a solar plant resulting in higher margins. However, the rating is constrained by the project implementation risk for the additional capacity being installed, company having achieved lower revenues and profitability than projected and foreign exchange fluctuation risk for the capital costs.

Background:

ACIL was incorporated as a closely held company in November 2012 for setting up an integrated textile unit in the state of Gujarat. Meanwhile, in order to leverage on the power shortage in the state of Tamil Nadu the company now 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 industry.

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 ACIL. All the promoters are highly experienced and have an average experience of more than 20 years in the Textile Industry.

Project details:

ACIL has set up a solar power generation unit of 20 MW at an estimated cost of Rs.141.25 crs. This has been funded by promoters' contribution of Rs. 41.25 crs and Bank loan of Rs. 100.00 crs. The Company commissioned 15 MW capacity out of the 20 MW in the month of March 2014 and the balance 5 MW was commissioned in April 2014.

The company plans to commission another solar project of 10MW by September, 2015.

Company has made revenue of Rs.6.94 Crs for FY 2014 which includes garments export sales to the extent of Rs.6.49 Crs and solar power sales made for one month to the extent of Rs.0.44 Crs. The revenue level of the company has improved from Rs.6.94 crs to Rs.17.69 Crs in FY 15 . There is substantial increase in Operating profit margins from 4.07% in FY14 to 79.29% in FY15. Networth of the company as on 31.03.2014 was Rs.30.14 Crs. Total outside liabilities to networth was at 4.22 times as on FY 2014.

Rating Outlook:

The outlook continues to be stable for the current period. The ability of the company to complete the 10 MW project within the estimated time, comply with the regulatory requirements, achieve the projected revenue and profitability levels and manage the foreign exchange fluctuation risk effectively remain 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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