



Rating Rationale

Armstrong Knitting Mills

24 Jan 2018

Brickwork Ratings revises the rating for the Bank Loan Facilities of Armstrong Knitting Mills (AKM)

Particulars

Facility rated	Amount in Crs		Tenure	Previous Rating (November 2016)	Present Rating
	Previous Limits	Present Limits			
<u>FUND BASED:</u>					
Term Loan I	5.44	5.44	Long term	BWR B+ (Pronounced BWR B Plus)	BWR BB- (Pronounced as BWR Double B minus) Upgraded
Buyers Credit (Sublimit)	(5.44)	(5.44)			
FLC-ST (Sublimit)	(5.44)	(5.44)			
Term Loan II	-	2.73*			
<u>FUND BASED:</u>					
PC/PCFC/FDB/FBE/BRD	36.00	49.00	Short term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmation
PC/PCFC/FDB/FBE/BRD (Proposed)	13.00	-			
<u>NON-FUND BASED:</u>					
Bank Guarantee	0.25	0.25			
TOTAL	54.69	57.42	INR Fifty Seven Crores and Forty Two Lakhs Only		

* Term Loan II o/s as on 31.12.17

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded long term facilities and Reaffirmed short term facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:



BWR has principally relied upon the audited financial results up to FY17, projected financials up to FY19 and publicly available information and information/clarifications provided by the firm.

The ratings revision has factored the firm from the extensive experience of the promoters in textile industry, well established clientele and satisfactory track record of operations, diversified product portfolio, consistent growth in revenues, moderate net worth and strong debt protection metrics and improvement in profitability margins. The ratings are, however, constrained by AKM's moderate scale of operations, customer concentration risk, exposure to forex risks and intense competition in the export industry. Going ahead, the ability of the firm to improve its scale of operations and profitability, to mitigate its forex risk, and manage the gearing levels and achieve the projected revenues would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that Armstrong Knitting Mills's 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.

Key rating drivers:

- The firm is in existence of more than four decades with established track record in the business implies the firm's ability to sustain with external factors.
- The promoter to this firm has vast experience of more than four decades in the same line of business, there had been year on year increase in sales and profitability margins.
- The operating revenue of the firm has improved to Rs.203.35 crs in FY17 as compared to Rs.165.97 crs in FY16. Net profit margin of the firm has increased to 8.26% in FY17 from 7.75% in FY16.
- Tangible net worth stood at Rs.42.98 Cr. as on March 31, 2017.
- The firm derives majority of its revenue from overseas, and hence, is exposed to volatility in the value of the rupee.
- AKM faces intense competition from organised as well from unorganised players from the market and volatile raw material prices will have an impact on the profitability

About the Firm

Armstrong Knitting Mills (AKM), a partnership firm started in the year 1971, is engaged in the manufacture and export of Knitwear, Woven Garments, made ups, formal and casual attire to its customers spread across USA and Europe. The unit is located in Tirupur. The company's range of products caters to Men, Women, Children and Infants, with special emphasis on Ladies wear,



Men's wear and Children's Wear. The installed capacity of the unit is to manufacture 1.65 crs pieces annually.

The managing Partner of the firm is Mr.E.Palanisamy who has more than four decade of experience in the industry.

Mr.P.Vivekanand, Partner and also son of Mr. E. Palanisamy has more than a decade of experience in hosiery manufacture and exports and assists his father in management of various firms in the group. Ms.P. Renugadevi wife of Mr. E. Palanisamy is another partner of the firm.

Firm's Financial Performance

AKM has reported a profit after tax (PAT) of Rs.16.79 crs. on Net Sales of Rs.190.82 crs.for FY17 as against profit after tax (PAT) of Rs.12.86 crs. on Net Sales of Rs.154.10 crs for FY16. As confirmed by the firm, the revenue achieved from April'17 to Nov'17 is Rs.132.67 crs.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2017	November 17,2016	2015
1	Term Loan I	Long term	5.44	BWR BB- Outlook : Stable Upgraded	NIL	BWR B+ Outlook : Stable	NIL
2	Term Loan II*	Long term	2.73				
3	PC/PCFC/FDB/FBE/B RD	Short Term	49.00	BWR A4 Reaffirmed	NIL	BWR A4	NIL
4	Bank Guarantee	Short Term	0.25				
	Total		57.42	INR Fifty Seven Crores and Forty Two Lakhs Only)			

* Term Loan II o/s as on 31.12.17

Status of non-cooperation with previous CRA (if applicable) –Not Applicable



Any other information: Not Applicable

Key Financials:

Particulars	FY16 Audited	FY17 Audited
Net Revenue (Rs.Crs)	165.97	203.35
EBITDA (Rs.Crs)	14.01	12.76
PAT (Rs.Crs)	12.86	16.79
Tangible Net Worth (Rs.Crs)	32.80	42.98
Total Debt/TNW (Times)	1.34	1.30
Current Ratio (Times)	0.98	1.02

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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.

DISCLAIMER

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