

Rating Rationale

Brickwork Ratings assigns “BWR B+/A4” for the Bank Loan facilities aggregating ₹ 54.69 Cr of Armstrong Knitting Mills (AKM)

Brickwork Ratings (BWR) has assigned the following Ratings¹ for the Bank Loan Facilities of ₹54.69 crores of Armstrong Knitting Mills (AKM or ‘the firm’):

Facility	Amount (₹ Cr)	Tenure	Rating
<u>Fund Based</u> Term Loan Buyers Credit (Sublimit) FLC-ST	5.44 (5.44) (5.44)	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook:Stable
<u>Fund Based</u> PC/PCFC/FDB/FBE/BRD PC/PCFC (Sublimit) PC/PCFC/FDB/FBE/BRD (Proposed)	36.00 (26.00) 13.00	Short Term	BWR A4 (Pronounced BWR A four)
<u>Non- Fund Based</u> Bank Guarantee	0.25		
Total	54.69	INR Fifty Four Crores and Sixty Nine Lakhs only	

BWR has principally relied upon the audited financial results up to FY15, provisional financials of FY16 and projected financials FY17 & FY18 and publicly available information and information/clarifications provided by the firm.

The ratings draw strength from the extensive experience of the promoters in textile industry, well established clientele and satisfactory track record of operations, diversified product portfolio, moderate net worth and strong debt protection metrics and consistent growth in income. 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.

Background:

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 Company 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 more than 7 million pieces annually. The average annual export Turnover of the company is Rs.140 crores. There are also domestic sales of the export surplus.

¹ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings assigned

Management

The managing Partner of the firm is Mr.E.Palanisamy who has more than 3 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.

Financial Performance

As per the provisional financials for FY16, the firm has reported Net Sales of Rs.144.14 crs as against Rs.121.67crs in FY15. The PAT of the firm has improved to Rs.4.33 crs for FY16 against PAT of Rs.2.75 crs in FY15. Tangible net worth stood at Rs.38.23 Cr. as on March 31, 2016. Debt to Equity ratio is increased to 1.32 times in FY16 as compared to 0.89 times in FY15 . DSCR is at satisfactory level in FY16.

Outlook

The outlook of the firm is expected to be stable over the next one year. 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.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.