Press Release

Brickwork Ratings assigns 'BWR BB' & 'BWR A4' for the Bank Loan Facilities of ₹ 40.14 Cr of Arora Industries

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan Facilities of ₹40.14 Cr of Arora Industries.

Facility	Tenure	Amount (₹ Cr)	Rating
Fund Based **Working Capital Limits** **Term Loan**	**Long Term**	**30.00** **6.69**	**BWR BB** (BWR Double B) **(Outlook – Stable)**
Non Fund Based **ILC Limits** **EPG Limits**	**Short Term**	**3.00** **0.45**	**BWR A4** (BWR A Four)
Total		**40.14 (INR Forty Crores and Fourteen Lakhs only)**	

The rating has factored, inter alia, the promoter's experience and Arora group's established distribution network across India. However the rating is constrained by the high cash conversion cycle, the high leveraged position of the firm, weak debt protection metrics, susceptibility to volatility in raw material prices, exposure to forex risk and intense competition because of fragmented industry**.**

Arora Industries is a partnership firm and was established in 2007. The firm manufactures polyester fabrics, mink blankets and garments. Arora Industries is based in Ludhiana (Punjab) and is managed by two brothers, Mr. Mohinder Singh Arora and Mr. Ravinder Pal Singh (elder). Arora Industries are manufacturer and exporter of Knitted Fabrics, Garments, and knitted Mink Blankets. A strong domestic dealer network for knitted fabric helps the firm to easily sell/launch new products. The Plant of the firm is capable of producing 25 tons of knitted fabrics per day and 3000 pcs/day of mink blankets assumed that there is 300 working days in a year.

The revenue from operations has increased from ₹ 96.31 Crores in FY10 to ₹ 125.45 Crores in FY12 and as per the provisional financial provided by the firm the revenue has further grown to ₹ 153.15 Crores. The firm has a sustained Operating margins hovering around ~7%-8% but at the

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

net level the firm has a very thin margin mainly because of higher intrest and finance cost. The firm's tangible net worth stands at ₹ 14.89 Crores as on 31st March'12 and as per the provisional financial for FY13 the tangible net worth of the firm stands at ₹ 16.25Crores.The company is highly leveraged and has a stretched working capital cycle. The company has to manage its liquidity well.

The ability of the company to reduce the cash conversion cycle, improve working capital management, sustain the growth achieved, hedge its forex exposure and improve its profitability margins remains the key sensitivities.

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