

Press Release

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Credit Facilities aggregating ₹ 28.50 Cr of Arora Knit Fab Pvt. Ltd.

Brickwork Ratings assigns the following Ratings¹ for the Bank Loan Facilities of Arora Knit Fab Pvt. Ltd.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit(CC)	28.50	Long Term	BWR BB- (BWR Double B Minus) Outlook-Stable
Inland LC (Sublimit of CC)	(2.00)	Short Term	BWR A4 (BWR A Four)
Total	28.50 (INR Twenty Eight Crores & Fifty Lakhs only)		

BWR has principally relied upon the audited financial results up to FY 12, provisional financials of FY13 and projected financials of FY 14 and FY 15, publicly available information and information/clarification provided by the Company management.

The ratings factor, inter alia, experience of the promoters of more than three decades in the knitting business and established market presence in the knitted fabrics market. The ratings also draw comfort from the established marketing and distribution network of the company and integrated nature of operations covering knitting, dyeing, printing and finishing. However, the ratings are constrained by below average financial risk profile marked by low net worth, low profitability margins, high gearing and modest debt protection metrics. The ratings are further constrained due to foreign exchange losses on account of outstanding foreign currency loan to the tune of ₹1.09 crores in FY12 and ₹1.05 crores in FY13. The profitability of FY14 also is likely to be adversely affected, if the Rupee depreciates significantly during this current financial year. The ratings are also constrained on account of Industry characterized by intense competition from organized as well as unorganized players leading to stress in profitability and working capital intensive nature of operations

Company Background

Arora Knit Fab Pvt Ltd (AKFPL) was set up as knitting unit in the year 1982 known as Arora Knitwear's under proprietorship of Mr. Mohinder Singh Arora. The company was converted into a private limited company in November 2000. Mr.M.S.Arora and his brother Mr. R.S.Arora are the promoters of the company, and they, along with their family members hold most share-capital.

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

The Company is currently engaged in the manufacturing of Knitted Fabrics, Garments, and Blankets, which are sold domestically. AKFPL has a group concern Arora Industries (AI) which is a partnership firm and was established in 2007. The firm is having similar operations as AKFPL but the product line is different as AKFPL is primarily into manufacturing of Knitted Fleece whereas AI is into the manufacturing of Mink blankets.

Financial Performance

AKFPL's net sales have grown by 4.8% to ₹168.26 crores in FY13 compared to ₹160.46 crores in FY12 and ₹114.55 crores in FY11. The net profit of the company, however, was low and stood at ₹0.07 crores in FY11, ₹0.10 crores in FY12 and ₹0.34 crores in FY13. The net profit margin has been low on account of high interest and finance costs as well as loss on foreign exchange fluctuations on account of outstanding foreign currency loan. The gearing which is computed as Total Debt upon Tangible Networth was 2.46x in FY11, which deteriorated to 2.83x in FY12 and further deteriorated to 3.63x in FY13 on account of increase in unsecured borrowings. However considering unsecured borrowings as quasi equity as the same are from promoters' friends and associates and are long term in nature, the gearing comes out to be 1.26x in FY13 and 1.13x in FY12 which is comfortable.

Outlook

The outlook for the next 12 months is expected to be stable. The company has suffered losses on account of adverse foreign exchange fluctuation on its outstanding foreign currency loan compared to its modest networth, and this trend could continue in FY14 as well. Ability of the Company to improve its top line, as also profitability margins coupled with mitigation of foreign exchange risk, are the key rating sensitivities

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