



## Rating Rationale

Arthanari Loom Centre (Textile) Pvt Ltd

08 Nov 2018

Brickwork Ratings reaffirms BWR BBB/A3 for the Bank Loan Facilities of Rs. 118.54 crores of Arthanari Loom Centre (Textile) Pvt Ltd (‘the ALCPL or Company)

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating ^	
	Previous	Present*		Previous (August 2017)	Present
<b>Fund Based</b>					
Cash Credit	40.00	50.00	<b>Long Term</b>	<b>BWR BBB</b> (Pronounced BWR Triple B) <b>Outlook: Stable</b>	<b>BWR BBB</b> (Pronounced BWR Triple B) <b>Outlook: Stable</b> <b>(Reaffirmed)</b>
Term loans	60.37	68.54*			
PCFC (sublimit of Cash Credit)	(8.50)	(8.50)	<b>Short Term</b>	<b>BWR A3</b> (Pronounced BWR A Three )	<b>BWR A3</b> (Pronounced BWR A Three ) <b>(Reaffirmed)</b>
FBDN/EBR (Sublimit of Cash Credit)	(1.00)	(1.00)			
<b>Non Fund Based</b>					
Letter of credit (Sublimit of Cash Credit)	<b>10.00</b>	<b>(10.00)</b>			
Bank Guarantee (Sublimit of Cash Credit)	(1.00)	(1.00)			
Total	<b>110.37</b>	<b>Rs. 118.54 Crores (Rupees One Hundred Eighteen Crores and Fifty Four lakhs Only)</b>			

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*includes proposed term loan of Rs. 6.00 crs.

### Ratings Reaffirmed



### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financial results of the company up to FY18, projected financials, publicly available information and information/clarifications provided by the management.

The ratings continue to draw strength from the extensive experience of the promoters, long track record of operations, long standing relationship with clients, growth in revenue and healthy debt servicing metrics. However, the ratings are constrained by working capital intensive nature of operations leading to high reliance on external debt, susceptibility of its operating profits to volatility in raw material prices and the highly fragmented and competitive nature of industry.

The ability of the company to sustain and improve its scale of operations, profit margins, ensure timely completion of ongoing projects and manage working capital efficiently would be the key rating sensitivities.

### **Rating Outlook: Stable**

BWR believes the **Arthanari Loom Centre (Textile) Pvt Ltd**'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 Risk drivers:**

#### **Strengths**

- **Experienced management and established track record** : The promoters are well experienced in this sector and the company has been in this sector for the last 27 years.
- **Established relationships with customers and suppliers** : Long and established relationships with customers as well as suppliers have resulted in favourable credit terms and easy access to raw materials.
- **Improved financial risk profile**: The Company's total operating income has improved to Rs. 297.52 crs in FY18 as against total operating income of Rs.267.09 crs in FY17. Tangible Net worth was at Rs. 76.32crs as on 31 March 2018. Debt servicing metrics were moderate as reflected by ISCR of 3.15 times and DSCR of 1.60 times as on 31 March 2018. On a provisional basis, Company has reported revenue of around ~Rs. 178.00 crs for 6MFY19.

#### **Weaknesses**



- **Intense competition and fragmented Industry** : The weaving and processing industry is highly fragmented, with a large number of organized and unorganized players and intense competition due to low entry barriers (on account of low differentiation in end product) which limits the pricing flexibility.
- **Seasonality associated with the availability of raw materials** : As the raw materials are agro-based commodities, their prices are volatile in nature. This may lead to fluctuation in revenue and profitability.

### **Analytical Approach**

BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Company Background & Project details**

ALCPL was incorporated as private limited company on 25<sup>th</sup> October 1991, promoted by Mr. Arthanari Alagarasan and his family members. ALCPL is engaged in manufacturing of yarn dyed fabrics and indigo fabrics. The plant consists of facilities for dyeing, weaving, warping, sizing and processing. Company's manufacturing activities are undertaken at the unit in Salem with a total installed capacity of 233 looms with a production capacity of 272.61 Lakhs Mtrs. Per annum. The company has a captive wind mill with a capacity of 1.25 MW.

The Company is setting up with new yarn godown to increase the storage capacity at an estimated cost of Rs. 8.76 crs which is proposed to be financed by term loan of Rs. 6.00 crs and balance from internal cash accruals. The land has been acquired and construction of building is underway. The project is expected to be completed by Dec 2018.

Company is promoted by Mr. Arthanari Alagarasan and he is the Managing director of the company. Other directors are Mrs. Alagarasan Pushpa and Mr. Alagarasan Aadhithya.

### **Financial Performance**

ALCPL reported total operating income of Rs.297.52 Crs and PAT of Rs.9.21 Crs in FY 18 as against total operating income of Rs. 267.09 Crs and PAT of Rs. 8.51 Crs in FY17. The networth was at Rs.76.32 crs as on 31 Mar 2018. Further the company has achieved sales of ~Rs. 178 crs for 6MFY19

Key financial indicators are given in annexure

**Status of non-cooperation with previous CRA :- Nil**



Any other information -NA

**Rating History for the last three years**

Sl. No.	Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	21 Aug 2017*	30 Aug 2016^	2015
1)	Cash Credit	Long term	50.00	BWR BBB Outlook: Stable (Reaffirmed)	BWR BBB Outlook: Stable (Reaffirmed)	BWR BBB Outlook: Stable (Assigned)	-
2)	Term loans		68.54*				
3)	PCFC (Sublimit of Cash Credit)	Short Term	(8.50)	BWR A3 (Reaffirmed)	BWR A3 (Reaffirmed)	BWR A3 (Assigned)	-
4)	FBDN/EBR (Sublimit of Cash Credit)		(1.00)				
5)	Letter of credit (Sublimit of Cash Credit)		<b>(10.00)</b>				
6)	Bank Guarantee (Sublimit of Cash Credit)		(1.00)				
	<b>Total</b>		<b>118.54</b>	<b>(Rupees One Hundred Eighteen Crores and Fifty Four lakhs Only)</b>			

^Amount rated Rs.115.16 crs; \*amount rated Rs. 110.37 crs

**Hyperlink/Reference to applicable Criteria**

[General Criteria](#)

[Manufacturing Companies](#)

[Approach to Financial Ratios](#)

[Short Term Debt](#)

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**Annexure  
Key Financial Indicators**

Particulars	Units	31 March 2017 (Audited)	31 March 2018 (Audited)
<b>Total Operating Income</b>	<b>Rs. Crores</b>	<b>267.09</b>	<b>297.52</b>
<b>EBITDA</b>	<b>Rs. Crores</b>	<b>36.92</b>	<b>40.49</b>
<b>PAT</b>	<b>Rs. Crores</b>	<b>8.51</b>	<b>9.21</b>
<b>Tangible Net Worth</b>	<b>Rs. Crores</b>	<b>67.09</b>	<b>76.32</b>
<b>Total Debt : Equity</b>	<b>Times</b>	<b>1.83</b>	<b>1.62</b>
<b>Current Ratio</b>	<b>Times</b>	<b>0.78</b>	<b>1.05</b>

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**Note on complexity levels of the rated instrument:**

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