



Rating Rationale

Arthanari Loom Centre (Textile) Pvt Ltd.

21st August 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 110.37 crs of Arthanari Loom Centre (Textile) Pvt Ltd.

Particulars

| Facility Rated | Amount (Rs. Crs) | | Tenure | Rating ^ | |
|---|---------------------|--|-----------------------|--|--|
| | Previous | Present* | | Previous (August 2016) | Present |
| Fund Based | | | | | |
| Cash Credit | 35.00 | 40.00 | Long Term | BWR BBB (Pronounced BWR Triple B) Outlook: Stable | BWR BBB (Pronounced BWR Triple B) Outlook: Stable (Reaffirmed) |
| Term loans | 70.16 | 60.37 | | | |
| PCFC (sublimit of Cash Credit) | (32.00) | (8.50) | Short Term | BWR A3 (Pronounced BWR A Three) | BWR A3 (Pronounced BWR A Three) (Reaffirmed) |
| FBDN/EBR (Sublimit of Cash Credit) | (1.00) | (1.00) | | | |
| Non Fund Based | | | | | |
| Letter of credit | 10.00 | 10.00 | | | |
| Bank Guarantee (Sublimit of Cash Credit) | (1.00) | (1.00) | | | |
| Total | 115.16 | Rs. 110.37 Crores (Rupees One Hundred Ten Crores and Thirty Seven lakhs Only) | | | |

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

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company up to FY16, Provisional financials of FY 17, 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 and healthy debt protection metrics. However, the ratings are constrained by working capital intensive nature of operations leading to high reliance on external debt, susceptibility of its operating profitability to fluctuation in raw material prices and the highly fragmented and competitive nature of industry.

The ability of the company to improve its scale of operations, sustain & improve profit margins 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.

Company Background

ALCPL was incorporated as private limited company on 25th 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.

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.

Key Risk drivers:

Strengths

- The promoters have experience of 30 years in this sector and the company has been in this sector for the last 26 years
- Strong debt protection metrics: The company has strong debt protection metrics as indicated by as Interest Service coverage Ratio (ISCR) of 3.24 times and Debt Service coverage ratio (DSCR) of 1.61 times for FY 16.
- Capacity Expansion: With continuation of the expansion, the company has added 84 new looms and Fong's dyeing machine with cost of Rs. 25.48 crs during FY 17.

Weaknesses

- Increased Gearing : Debt/equity ratio has increased to 2.29x in FY 17, due to recent expansion. However if we consider the unsecured loan from the promoters gearing would improve. With



ongoing payment of term loan and improvement in networth, the debt/equity level is expected to improve in coming years.

- Volatility in raw material prices

Financial Performance

ALCPL reported net sales of Rs.261.18 Crs and PAT of Rs. 4.89 Crs in FY 16 as against net sales of Rs. 224.85 Crs and PAT of Rs. 5.33 Crs in FY15. The Net worth was at Rs.58.53 crs as on FY16. As per provisional financials, the company has reported sales of Rs.264.04 crs for FY 17.

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

| Sl. No. | Instrument/Facility | Current Rating (Year 2017) | | | Rating History | | |
|---------|---|-----------------------------|-----------------|---|---|------|------|
| | | Type (Long Term/Short Term) | Amount (Rs Crs) | Rating | 30/08/16 | 2015 | 2014 |
| 1). | Cash Credit | Long term | 40.00 | BWR BBB Outlook: Stable (Reaffirmed) | BWR BBB Outlook: Stable (Assigned) | - | - |
| 2). | Term loans | | 60.37 | | | | |
| 3). | PCFC (sublimit of Cash Credit) | Short Term | (8.50) | BWR A3 (Reaffirmed) | BWR A3 (Assigned) | - | - |
| 4). | FBDN/EBR (Sublimit of Cash Credit) | | (1.00) | | | | |
| 5). | Letter of credit | | 10.00 | | | | |
| 6). | Bank Guarantee (Sublimit of Cash Credit) | | (1.00) | | | | |

Hyperlink/Reference to applicable Criteria

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



| Analytical Contacts | Media |
|--|---|
| <u>Vipula Sharma</u> <u>Deputy General Manager</u> <u>analyst@brickworkratings.com</u> | <u>media@brickworkratings.com</u> |
| | Relationship Contact |
| | <u>bd@brickworkratings.com</u> |
| Phone: 1-860-425-2742 | |

Annexure I Key Financial Indicators

| Particulars | Unit | FY 16 (Audited) | FY 17 (Provisional) |
|---------------------|------------|--------------------|------------------------|
| Net Sales | Rs. Crores | 261.18 | 264.04 |
| EBITDA | Rs. Crores | 21.96 | 43.13 |
| PAT | Rs. Crores | 4.89 | 8.50 |
| Tangible Networth | Rs. Crores | 58.53 | 67.15 |
| Total Debt | Rs. Crores | 104.95 | 153.75 |
| Total Debt : Equity | Times | 1.79 | 2.29 |
| Current Ratio | Times | 1.06 | 1.10 |

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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

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.