Rating Rationale

Brickwork Ratings assigns 'BWR BBB' & 'BWR A3' for the Bank Loan facilities aggregating to ₹ 115.16 Cr of Arthanari Loom Centre (Textile) Pvt Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan Facilities of ₹ 115.16 crs of **Arthanari Loom Centre (Textile) Pvt Ltd** ("ALCPL" or "the Company"):

Facilities	Existing Limits (₹ Cr)	Tenure	Rating[1]
Fund Based			
Cash Credit	**35.00**	**Long Term**	**BWR BBB (Pronounced BWR Triple B) Outlook: Stable**
Term Loans	**70.16**		
Non Fund Based			
Letter of Credit	**10.00**	**Short Term**	**BWR A3 (Pronounced BWR A Three)**
PCFC (sublimit of Cash Credit)	**(32.00)**		
FBDN/EBR (Sublimit of Cash Credit)	**(1.00)**		
Total	**115.16***	**INR One Hundred Fifteen Crores Sixteen Lakhs Only**	

Note: The Company also has Forward Contract of Rs. 2.19 Cr

BWR has essentially relied upon the audited financial results of the company up to FY15, proviosional financials of FY16, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of the promoters, Y-O-Y growth in sales, healthy debt service coverage ratios and its satisfactory operating parameters over the last 3 years. However, the ratings are constrained by large working capital requirement 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 textile industry.

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 unit in Salem with a total installed capacity of 233 looms with a production capacity of 272.61 Lakhs Mtrs. Per annum.

The capacity of the company increased from 121 looms to 233 looms in FY 16 with bank finance of Rs.17 crs. The company has a captive wind mill with a capacity of 1.25 MW.

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

Ownership and Management:
Company is promoted by Mr. Arthanari Alagarasan with a stake of 48.78%. He is the Managing director having over 2 decades of experience in textile industry, Mrs. Alagarasan Pushpa (wife of A. Alagarasan) is the Deputy managing director (2.07% stake in the company) with more than 2 decades of experience and Mr. Alagarasan Aadhithya is the Joint Managing director of the company (26.56% stake in the company) with 5 years of experience.

Financial Performance:
As per audited financials for FY 15, the company's total operating income has increased to ₹ 224.85 crs from ₹194.42 crs in FY14. Operating profit margin was at ~10.62% and PAT at ₹ 5.33 crs in FY 15. The tangible net worth stood at ₹ 51.37 crs and Debt-equity stood at 1.77x as on March 31, 2015.
As per unaudited financials of FY 16, the company has achieved total operating income of Rs.261.78 crs in FY16.

Rating Outlook:
The outlook of the company is expected to be stable over the current year. Going forward, ability of the Company to sustain & improve its revenues and manage working capital efficiently will 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