

Rating Rationale

Brickwork Ratings assigns 'BWR BB' & 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 18.42 Cr of Associates Nonwoven.

Brickwork Ratings has assigned the following **Ratings¹** for the Bank Loan facilities of Associates Nonwoven. (ANW or the firm).

Facilities	Limits (₹ Cr)	Tenure	Rating
Fund Based			
Cash credit	6.50	Long Term	BWR BB (Pronounced BWR Double B) Outlook : Stable
Term Loan*	4.92		
Total Fund Based	11.42		
Non Fund Based			
FLC/ILC	7.00	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Total Non-Fund Based	7.00		
Total	18.42	(INR Eighteen Crores and Forty Two Lakhs only)	

*Term loans outstanding as on 11/09/2014.

BWR has essentially relied upon the audited financials of Associates Nonwoven up to FY 13, provisional FY 14 and projected financials of FY 15 & FY 16, publicly available information and information/clarifications provided by the firm.

The rating reflects promoters experience in the industry, diversified revenue stream, increased capacity utilisation and additional product line resulting growth in operating revenues and multi-purpose usage of non-woven fabric. The rating is, however, constrained by moderate financial risk profile marked by moderate tangible Networth, moderate gearing level and debt service coverage ratios, declining profitability margins, volatile raw material prices, risks associated with partnership firm and highly fragmented textile industry and high level of competition.

Background:

Associates Nonwovens (ANW) was established as partnership concern in April 2005. The firm is managed by three partners, Mrs Chitra Devi Mittal along with her two sons Mr Praveen and Mr Naveen Mittal. Its head office is located at Delhi and manufacturing unit at Kala Amb (H.P.). ANW is engaged in the manufacturing of non-woven fabric which is used in technical textiles. The products offered by the firm are PP spun-bond non-woven fabrics, embroidery backing paper and needle punch non-woven fabric. Recently in FY 13, the firm had also included artificial plastic lawn carpet in its product portfolio. Installed capacity of PP spun-bond non-

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

woven fabrics, embroidery backing paper, needle punch non-woven fabric and Artificial Plastic Lawn carpet are 3,200 M/T per annum, 500 M/T per annum, 2000 M/T per annum and 660 MT per annum respectively. Products are sold under brand name of ‘A-One’, which has its presence all over India.

Financial Performance:

As per the provisional financials submitted by the firm, ANW’s net revenue from operations increased from ₹ 59.75 Crores in FY13 to ₹ 71.54 Crores in FY14 due to addition of product line and customers. EBITDA and PAT margins were at 8.50 % and 1.93% respectively in FY14, marginally decreased from 8.93% and 2.03% respectively in FY13. Operating margins declined in FY 13 due to fluctuation in price of raw material prices. . Pressure on profit margins is expected to continue as raw material prices have been on the fluctuating trend Due to infusion of capital and retention of profits, tangible Networth increased from Rs. 8.59 crs in FY 13 to Rs. 12.30 crs in FY 14. Borrowings are essentially by way of working capital facilities & term loan and the ratio of Total Debt to Equity was 1.18x times in FY 14 which includes unsecured loans of Rs. 0.93 crs. The overall gearing improved to 1.18x times as on March 31, 2014 from 2.52x times as on March 31, 2013 due to infusion of equity by promoters to the tune of Rs. 2.32 crs

The firm has informed that it has achieved sales of around Rs. 24 crs for the four month operation period April- July 2014.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the firm to, achieve the projected turnover by improving its capacity utilization, strengthen its capital structure, improve profitability margins in competitive market scenario and manage working capital efficiently - will remain key rating sensitivities.

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