

RATING RATIONALE

24 Dec 2019

Atlas Processing Mills

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 23.06 Crores of Atlas Processing Mills (APM or “the firm”)

Particulars:

Facility**	Amount (₹ Cr)	Amount (₹ Cr)	Tenure	Rating*	
	Previous (2018)	Present		Previous (September, 2018)	Present
Fund based	18.41	22.06	Long Term	BWR B+ Stable	BWR B+ Stable Reaffirm
Non Fund Based	1.00	1.00	Short Term	BWR A4 Reaffirm	BWR A4 Reaffirm
Total	19.41	23.06	₹ Twenty Three Crores and Six Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I&II

RATING ACTION / OUTLOOK

BWR has relied upon APM’s audited financial results upto FY19, projected financial data upto FY21, and publicly available information and the information/clarifications provided by the firm. BWR believes APM’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

The rating draws strength from the extensive experience of the partners, satisfactory net worth and support from the firm’s group concerns . The rating is however constrained by modest scale of operations, elongated conversion cycle, negative net profit and constitution risk of the firm.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced management:** The firm's founder partner Mr. M. Nachimuthu has vast experience in the textile and export industry spanning three decades.
- **Satisfactory Net worth:** The Networth of the firm has improved from ₹ 19.68 Cr in FY18 to ₹ 20.50 Cr in FY 19 due to infusion of funds by the partners.
- **Improving and Debt Protection Metrics:** ISCR and DSCR has improved and is at moderate levels in FY19 at 2.81 times and 1.30 times respectively viz a viz 1.80 times and 0.78 times respectively.
- **Long Standing Relationship with customers:** Since the firm has been in existence for more than 15 years, it has a long standing relationship with its customers, some of whom have been associated with the firm since fifteen years.

Credit Risks:

- **Customer concentration in Revenue Profile:** APM's revenue profile is exposed to significant customer concentration with single firm (their sister concern) contributing to about 90% of its total revenue.
- **Negative Net Profit Margin and Elongated Conversion Cycle:** The Net profit of the firm stands at Rs -1.32 Cr in FY19. This is due to high depreciation charges in the same year.The operating profit however stands at Rs 5.53 Crs in FY19. The conversion cycle of the firm has deteriorated from 227 days in FY18 to 356 days in FY19 . This is mainly due to increase in days receivables.
- **Constitution of Firm:** Being a partnership firm, it is exposed to inherent risks of capital being withdrawn at a time of personal contingency, risks of dissolution and limited avenues to raise capital which could prove a hindrance to its growth.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the firm to increase its revenues, profitability margin and improve their net worth would be the key rating sensitivities.

Positive: The rating outlook may be revised to positive if the firm shows sustained improvement in revenue and net profit margins.

Negative: : The rating may be downgraded if there is a deterioration of liquidity profile or profitability margin.

LIQUIDITY POSITION (Stressed)

Stressed liquidity profile of the firm is marked by increasing conversion cycle that stands at 356 days in FY19 and is also projected to increase further. ISCR and DSCR has improved and is at moderate levels in FY19 at 2.81 times and 1.30 times respectively. Current Ratio has improved from 1.61x in FY18 to 3.08x in FY19.

COMPANY PROFILE

Atlas Processing Mills (ATM) was established in 2010 as a partnership firm, in Karur and is engaged in the activity of fabric, cone yarn and hank yarn dyeing and fabric printing. The firm's principal place of Karur, Tamil Nadu. The production capacities of the dyeing facility and printing facility are 4,50,000m/month and 3,50,000m/month respectively. The firm's founder partner Mr. M. Nachimuthu has vast experience in the textile and export industry spanning three decades and is the president of Karur Export Association and the chairman of Karur Textile Park limited and Kongu Educational Trust respectively.

The firm's group entity, "Atlas Export Enterprises" is an ISO 9001:2015 certified firm that engages in the manufacturing and export of textile goods including linen, felt goods, padding and upholstery filling with a revenue of around ₹ 153.59 Cr in FY19.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Crs	24.30	10.60
EBITDA	₹ Crs	5.53	0.90
PAT	₹ Crs	(1.32)	0.12
Tangible Net worth	₹ Crs	20.50	19.68
Total Debt/Tangible Net worth	Times	1.02	0.85
Current Ratio	Times	3.08	1.61

NON COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

S.No	Instrument /Facility	Current Rating			Rating History	
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating 2019	Sep 2018	Sep 2017
1	Fund Based	Long Term	22.06	BWR B+ Stable (Reaffirm)	BWR B+ Stable	BWR B+ Stable
2	Non Fund Based	Short Term	1.00	BWR A4 (Reaffirm)	BWR A4 Stable	BWR A4 Stable
	Total		23.06	INR Twenty Three Crores and Six Lakhs Only		

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to financial Ratios](#)

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Atlas Processing Mills
ANNEXURE I
Details of Bank Facilities rated by BWR

(In ₹ cr)

Bank Name	Facilities	Tenure	Previous Amount 2018	Present Amount 2019
Lakshmi Vilas Bank	SODP	Long Term	0.50	0.50
	PCL/FBDP/FUBD		4.00	4.00
	Term Loan		0.16	Closed
	Term Loan		8.57	7.56
	Term Loan		5.18	4.68
	Term Loan		-	5.32
	Letter of Guarantee	Short Term	1.00	1.00
Total			19.41	23.06

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