Rating Rationale

Atlas Processing Mills

13Dec2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹19.41 Crores of Atlas Processing Mills (APM)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep 2017)	Present
Fund based	20.89	18.41	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Reaffirmed
Non-Fund Based	1.00	1.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Total	21.89	19.41	INR Nineteen Crores and Forty One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings
Complete details of Bank facilities are provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18. projections of FY19 and FY20 of Atlas Processing Mills, publicly available information and clarifications as provided by the management.

The rating factors in the partner's experience in the industry, infusion of funds, satisfactory net worth, low gearing and support from the firm's group concern. The ratings, however, is constrained by the small scale of operations, reduced profit margins, weak debt coverage indicator, and elongated conversion cycle.

Description of Key Rating Drivers

- **Credit Strengths:** One of the partners has around four decades of experience in the industry, partners of the firm have infused funds to the tune of ₹13.88 Crs in FY18, net worth is at ₹19.68 Crs in FY18, gearing is at 0.85 times in FY18, financial and operational support from the firm's group entity 'Atlas Export Enterprises' with respect to dyeing and processing jobs.

- **Credit Risks:** Low scale of operations with an average total operating income for the last 3 FYs of ₹9.62 Crs, operating profit margin has decreased from 20.30% in FY17 to 8.50% in FY18, net profit margin has decreased from 16.51% in FY17 to 1.10% in FY18, debt coverage indicator is at negative 0.78 times in FY18, conversion cycle of 226 days in FY18.

Analytical Approach

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 Outlook: Stable

BWR believes the **Atlas Processing Mills** 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.

About the Firm

Atlas Processing Mills was established in 2010 as a partnership firm, at Karur, Tamil Nadu and is engaged in the activity of fabric, cone yarn, and hank yarn dyeing and fabric printing. The production capacities of the dyeing facility and printing facility are 4,50,000 meter/month and 3,50,000 meter/month respectively. The firm's founding partner Mr. M. Nachimuthu 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 engaged in the manufacturing and export of textile goods including linen, felt goods, padding and upholstery filling, with a revenue of around ₹145.47 Crs in FY18

Firm's Financial Performance

As per the audited financials of FY18, the firm has achieved a total operating income of ₹10.60Cr with an operating profit margin of 8.50% and net profit margin of 1.10%.

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	19.9.2017	2016	2015
1.	**Fund Based**	Long Term	18.41	**BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Reaffirmed**	**BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable**	**Not Rated**	**Not Rated**
2.	**Non-Fund Based**	Short Term	1.00	**BWR A4 (Pronounced as BWR A Four) Reaffirmed**	**BWR A4 (Pronounced as BWR A Four)**		
	Total		**19.41**	**₹Nineteen Crores and Forty One Lakhs Only**			

Status of non-cooperation with previous CRA - Not to our knowledge
Any other information - Nil

Key Financial Indicators

Key Parameters	**Units**	**2018**	**2017**
Result Type		**Audited**	**Audited**
Operating Revenue	₹Cr	10.60	9.95
EBITDA	₹Cr	0.90	2.02
PAT	₹Cr	0.12	1.64
Tangible Net worth	₹Cr	19.68	6.69
Total Debt/Tangible Net worth	Times	0.85	0.79
Current Ratio	Times	1.61	1.59

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term Debt

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For print and digital media
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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Annexure I

₹ Cr

<table>
<tr><th>Bank Name</th><th>Facilities</th><th>Tenure</th><th>Previous Amount Sep 2017</th><th>Present Amount</th></tr>
<tr><td rowspan="8">Lakshmi Vilas Bank</td><td>SODP</td><td rowspan="7">Long Term</td><td>0.50</td><td>0.50</td></tr>
<tr><td>PCL/FBDP/FUBD</td><td>4.00</td><td>4.00</td></tr>
<tr><td>Term Loan</td><td rowspan="5">16.39</td><td>Closed</td></tr>
<tr><td>Term Loan</td><td>Closed</td></tr>
<tr><td>Term Loan</td><td>0.16</td></tr>
<tr><td>Term Loan</td><td>8.57</td></tr>
<tr><td>Term Loan</td><td>5.18</td></tr>
<tr><td>Letter of Guarantee</td><td>Short Term</td><td>1.00</td><td>1.00</td></tr>
<tr><td colspan="3">Total</td><td>21.89</td><td>19.41</td></tr>
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