



Rating Rationale

Avon Cottex Pvt Ltd

12 Mar 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 24.05 Crores of Avon Cottex Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2017)	Present
CC	3.50	6.50	Long Term	BWR BB (Pronounced as BWR Double B) Outlook:Stable	BWR BB (Pronounced as BWR Double B) Outlook:Stable Reaffirmed
TL	10.50	16.25			
BG	0.40	1.30	Short Term	BWR A4	BWR A4 (BWR A Four) Reaffirmed
Total	14.40	24.05	INR Twenty Four Crores and Five Lakhs Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of Avon Cottex Pvt Ltd up to FY17 and information/clarifications provided by the Company.

The rating continues to factor, inter alia, promoters' experience in the industry, order book position, moderate coverage indicators and average leverage.

However, the rating is constrained by stagnant revenue, declining profitability margins, fragmented industry and competitive nature of business.

Description of Key Rating Drivers

Credit Strengths: The Company is run by experienced and well qualified directors as well as professional and skilled management team. Company holds healthy order book position which needs to be



executed in first quarter of FY19. Company has reported moderate coverage indicators, DSCR at 1.51 times and ISCR at 3.73 times in FY17. The leverage remains average at 1.55 times in FY17.

Credit Risks:

The rating is mainly constrained by stagnant revenue, Company has achieved sales of Rs 35.42 Crs in FY17 against Rs 34.16 Crs in FY16. The profitability is in decline trend y-o-y mainly due to high expenses. Fragmented nature of industry and competitive nature of business are the inherent risks associated with Textile Industry.

Analytical Approach

For arriving the 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 **Avon Cottex Pvt Ltd** 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 Company

Avon Cottex Private Limited was incorporated in 2012 by Mr. Satnam Singh. The Company is into manufacturing of cloth besides doing fabrication on job work basis of Fabric Knitting, Dyeing and Processing. The unit is located in Ludhiana (Punjab) with the constructed area of the factory being 60000 sq ft. Further, the Effluent treatment plant has been set up as per the norms set by the Punjab Pollution Control Board. The commercial production was started in June 2014. The current utilized capacity is around 80%. The processing & manufacturing unit is fully backed by 100% Captive Power, company has an independent feeder to get power supply from government dedicated power line. Unit runs 24 hours a day in 2 shifts. Currently total numbers of workers are 250. The unit has In - house facility for Bleaching, Dyeing and Finishing.. Both Dyeing & Finishing are done on fabrics of various Blends of cotton, Polyester, Acrylic and Nylon & Rayon. The process includes knitting, dyeing, and finishing, drying, brushing, shearing, sueding, colour dispensing and testing. The promoters manage five other companies involved in the textile industry across segments like fabric knitting, dyeing and garmenting in Ludhiana.

Company Financial Performance

Company has achieved net sales of Rs 35.42 Crs in FY17 against Rs 34.16 Crs in FY16. Company has reported net profit margin of 0.70 per cent and operating profit margin of 12.05 per cent in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	6, Feb, 2017	21, Nov, 2016	22, Oct, 2015
	Fund Based	Long Term	22.75	BWR BB Outlook:Stable Reaffirmed	BWR BB	Not Reviewed	BWR BB-
	Non Fund Based	Short Term	1.30	BWR A4	BWR A4		BWR A4
	Total		24.05	INR Twenty Four Crores and Five Lakhs Only			

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Rs in Crs	35.42	34.16
EBITDA	Rs in Crs	4.28	4.69
PAT	Rs in Crs	0.25	0.65
Tangible Net worth	Rs in Crs	11.69	7.22
Total Debt/Tangible Net worth	Times	1.55	2.17
Current Ratio	Times	1.41	1.22

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, 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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.