

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' Ratings for Bank Loan Facilities aggregating ₹13.06 Cr of Avon Cottex Pvt. Ltd.

Brickwork Ratings has assigned the following **Ratings¹** for Bank Loan facilities of Avon Cottex Pvt. Ltd (**ACPL or Company**).

Facility	Present Limits(₹ Cr)	Tenure	Rating
<u>Fund Based</u>			
Cash Credit	2.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook - Stable)
Term Loan 1	1.80		
Term Loan 2	8.86		
<u>Non-Fund Based</u>			
BG	0.40	Short Term	BWR A4 (Pronounced BWR A Four)
LC	(6.25)		
Total	13.06	INR Thirteen Crores & Six Lakhs only	

BWR has essentially relied upon the audited financial results of Avon Cottex Pvt. Ltd up to FY14, provisional for FY15 and information/clarifications provided by the Company.

The rating has factored, inter alia, ACPL's Experienced promoters with a track record of more than three decades in the textile industry, utilization capacity, order book on hand, Effluent treatment plant setup and In-house facility for Bleaching, Dyeing and Finishing. However, the rating is constrained by small scale of operation, high gearing, stretched liquidity position, Fragmented industry and competitive nature of business.

Background:

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.

Fabric Knitting, Dyeing and Processing includes 100% Cotton, Polyester/Cotton, 100% Polyester, 100% Viscose, 100% Modal and other various fabrics. The unit is located in Ludhiana (Punjab). The constructed area of the factory is 60000 sq. ft. Further, the Effluent treatment plant has been setup as per the norms set by the Punjab Pollution Control Board.

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

The commercial production was started in June 2014. The current utilization capacity is around 80%.

The processing & manufacturing unit is fully backed by 100% Captive Power, company has there independent feeder used 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. 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 processing process includes knitting, dyeing, finishing, drying, brushing, shearing, sueding, colour dispensing and testing processes.

A well-equipped Research & Development Lab is in place to materialize improvements in products, productivity and production as a whole. The Dyeing lab is equipped with Robotized color dispensing unit, lab dye machines, Spectrophotometer and other necessary equipment to ensure consistent product quality. Besides ACPL, the promoters (along with their family members) also manage five other companies involved in the textile industry (across segments like fabric knitting, dyeing and garmenting) in Ludhiana.

Financial Performance:

As per provisional provided for FY15, the company has reported revenue from operation is ₹ 20.58 Cr. The operating profit margin stood at 8.76 per cent and net profit margin at 2.56 per cent for FY15. The Company has debt equity of 3.36 times in FY15. The tangible net-worth stood at ₹6.78 Cr for FY15.

Rating Outlook:

The outlook of the Company is expected to be stable over the medium term. The rating reflects the position of the Company in the manufacturing segment of the industry it caters to. Going forward, ability of the Company to achieve sustainable and higher turnover, maintaining profitability margins and ability to improve the capital structure by infusing the funds will be the key rating sensitivities.

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