



## Rating Rationale

Avon Cottex Pvt Ltd

6<sup>th</sup> February 2017

**Brickwork Ratings upgrades the rating for the Bank Loan Facilities of Avon Cottex Pvt Ltd.**

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
<b>Cash Credit</b>	2.00	3.50	<b>Long Term</b>	<b>BWR BB-</b> (Outlook Stable) (Pronounced BWR Double B Minus) <b>Outlook stable</b>	<b>BWR BB</b> (Outlook Stable) (Pronounced BWR Double B Minus) <b>Outlook stable</b>
<b>Term Loan</b>	10.66	10.50			
<b>BG</b>	0.40	0.40	<b>Short Term</b>	<b>BWR A4</b> (Pronounced BWR A Four)	<b>BWR A4</b> (Pronounced BWR A Four)
<b>LC</b>	(6.25)	(6.25)			
<b>Total</b>		<b>Rs 14.40 (Fourteen Crores and Forty Lakhs Only)</b>			

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rating Upgraded

The rating has factored, inter alia, ACPL's Experienced promoters with a track record of more than three decades in the textile industry, confirmed order book on hand and satisfactory coverage indicators.

However, the rating is constrained by small scale of operation, high gearing, Fragmented industry and competitive nature of business.



### 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). 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. 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 the 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. In - house facility for Bleaching, Dyeing and Finishing is provided . 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

As per Audited FY16, the company has reported revenue from operation of Rs 34.16 Crs., as against Rs20.51 Crs in FY 15. The operating profit margin stood at 13.72 per cent and net profit margin at 1.90 per cent for FY16, as against 16.19 % and 2.04% in FY 15 respectively

### Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	21 <sup>st</sup> Nov 2016	2 <sup>nd</sup> Oct 2015	-
1.	Fund Based	Long Term	14.00	BWR BB	Not reviewed	BWR BB-	-
2.	Non Fund Based	Short Term	0.40	BWR A4		BWR A4	-



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>S Venkatesh CGM- Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

### For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.



**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.