

## Rating Rationale

### Gnanam Tex

11 October 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.14.47 Crs of Gnanam Tex

#### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<b><u>Fund Based</u></b>			
OCC	7.50	Long Term	<b>BWR B</b> (Pronounced as BWR Single B)  <b>Outlook : STABLE</b>
Sublimit for ODBD	(5.00)		
Term Loan - I	*1.57		
Term Loan - II	*0.40		
<b><u>Non- Fund Based</u></b>			
BULC	5.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A FOUR )
<b>Total</b>	<b>Rs. 14.47 Crores (Rupees Fourteen Crores and Forty Seven Lakhs only.)</b>		

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

\* Asterisk represents present outstanding of term loans

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, Provisional for FY17 and Projection up to FY19 of **Gnanam Tex**, publicly available information and information/clarification provided by the concern.

The rating draws strength from the extensive experience of the promoter in textile industry, established clientele and good track record of operations. However, the rating is constrained by small scale of operations, fluctuations in price of raw materials and high debt equity.

### Rating Outlook: Stable

BWR believes the **Gnanam Tex** 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

Gnanam Tex is a proprietorship concern established in the year 1995, at Salem, Tamil Nadu. Mr. Gnanasekaran K is the proprietor of the concern. The concern engaged in manufacturing, processing and selling of grey fabrics. The total installed capacity is 50 power looms and presently 40 looms are being utilized. The production capacity of the concern is, 1.5 million meters of fabric per month. The concern is a specialist in manufacturing Viscose rayon, Polyester Blends and doobby fabrics.

### Concern's Financial Performance

Total operating income of the concern has decreased in the FY17(Provisional) to Rs. 38.29Cr from Rs. 42.54Cr in FY16. As per information given by the client, total revenue achieved upto August 2017 is Rs. 18.00Cr. Net profit of the concern is ₹0.62 Cr in FY17(Provisional) and the concern's net worth stands at ₹2.78 Cr in FY17(Provisional).

### Key Financial Indicators

Particulars	FY14 (Actuals)	FY15 (Actuals)	FY16 (Actuals)	FY17 (Provisional)
Net Sales (In Crs)	25.21	26.93	42.54	38.29
EBIDTA (In Crs)	1.27	1.54	2.15	2.58
PAT (In Crs)	0.24	0.28	0.55	0.62
Net worth (In Crs)	1.87	2.00	2.37	2.78
Total Debt / TNW (Times)	4.03	5.44	4.82	5.69
Current Ratio (Times)	1.31	1.20	1.22	1.05

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

S.No.	Instrument/Facility	Rating History					
		Type (Long Term/Short Term)	Amount (Rs Crs) (Proposed)	Rating	2016	2015	2014
1.	OCC Sublimit for ODBD	Long Term	7.50 (5.00)	BWR B	NA		
2	Term Loan - I		1.57				
3	Term Loan - II		0.40				
4	BULC	Short Term	5.00	BWR A4			
	TOTAL		14.47	<b>(Rupees Fourteen Crores and Forty Seven Lakhs only.)</b>			

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)

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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](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**

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