

## Rating Report

### Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 6 Cr of ACE Enterprises

Brickwork Ratings has assigned the following **Ratings<sup>1</sup>** for the Bank Loan Facilities of ACE Enterprises (*the 'firm'*).

Facility	Limit (₹ Cr)	Tenure	Rating
<b>Fund Based Facilities</b>	<b>6.00</b>	<b>Long Term</b>	<b>BWR B+</b> (Pronounced BWR B Plus) <b>(Outlook: Stable)</b>
<b>Cash Credit</b>			
<b>Non-Fund Based Facilities</b>	<b>(1.00)</b>	<b>Short Term</b>	<b>BWR A4</b> (Pronounced A Four)
<b>Sub limit: ILC/FLC cum Buyers Credit</b>			
<b>Total</b>	<b>6.00</b>	<b>(INR Six Crores only)</b>	

The rating, inter alia, factors the extensive experience of the promoters in the textile industry, business and financial support from the group companies/ associate concerns which are in the same line of business. However, the rating is constrained by the constitution of the firm, very small net worth leading to high gearing, weak interest coverage indicators and thin margins due to trading nature of business and intense competition from other players in the same location.

BWR has essentially relied upon audited financial results up to FY13, provisional financials for FY14, projections for FY15 & FY16, publicly available information and information provided by the management.

#### Background:

ACE Enterprises is a partnership firm established on May 10, 2012. ACE Enterprises is promoted by the Lakra family, who have an established presence and experience in hosiery and garments manufacturing industry. Based out of Ludhiana, the firm is presently engaged in the business of trading of fabrics and garments. The firm purchases yarn, gets it converted to fabric through outsourcing and then sells it to customers. The firm's suppliers and customers are also mostly based in Ludhiana.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Further, the firm has plans to venture into manufacturing activity by installation of state of the art machinery for manufacture of readymade garments and home furnishings. The project is still in the nascent stage. The other group companies M/s Lakra Industries Ltd, M/s Lakra Fabrics Pvt Ltd and M/s Ariel Exports Pvt Ltd are also engaged in the same line of business. Lakra Industries Ltd which is based out of Ludhiana is engaged in manufacture of Fabrics, Garments and Home furnishings. Lakra Industries Ltd is the biggest supplier of knitted fabrics from Ludhiana to Orient Craft Ltd.

### Financial Performance:

During FY13, ACE Enterprises' net revenue from operations was ₹ 17.21 Cr in FY13 and the firm reported a net profit after tax of ₹ 0.03 Cr. The firm's net worth stood at ₹ 1.87 Cr as of March 31, 2013. The firm has borrowed working capital loans from their bankers and as on March 31, 2013, Overall Debt: Equity ratio was around 2.83 times.

Further, the firm has informed of achieving a Total Operating Income of ₹ 27.92 Cr during FY14.

### Rating Outlook:

ACE Enterprises' performance over the next year is expected to be stable. Going forward, the performance of the firm in terms of its ability to scale up its operations, improve profitability and maintain optimal capital structure and timely completion of the proposed manufacturing unit project will be the key rating sensitivities.

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<b>Annexure I</b>	
<b>Profit and Loss Statement</b>	
<b>ACE Enterprises</b>	<b>In ₹ Crores</b>
	<b>FY13 (Audited)</b>
Net Sales	17.21
<b>Total Operating Income</b>	<b>17.21</b>
Operating Expenses	16.85
<b>Operating Profit Before Depreciation, Interest and Taxes</b>	<b>0.36</b>
Depreciation	0.00
<b>Operating Profit Before Interest and Tax</b>	<b>0.36</b>
Interest and Finance Charges	0.31
<b>Operating Profit Before Tax</b>	<b>0.05</b>
Non- Operating Income(Expenses)	0.00
<b>Profit Before Tax</b>	<b>0.05</b>
Provision for Taxes	0.02
<b>Profit After Tax</b>	<b>0.03</b>

<b>Annexure II</b>	
<b>Balance Sheet</b>	
<b>ACE Enterprises</b>	<b>In ₹ Crores</b>
	<b>FY13 (Audited)</b>
<b>EQUITY AND LIABILITIES</b>	
<b>Partners' Capital</b>	<b>1.87</b>
<b>Non-current liabilities</b>	<b>0.42</b>
Long-Term Borrowings	0.42
<b>Current liabilities</b>	<b>7.18</b>
Short-Term Borrowings	4.85
Trade Payables	2.30
Other Current Liabilities	0.03
<b>Total Liabilities</b>	<b>9.47</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	<b>0.00</b>
<b>Current assets</b>	<b>9.47</b>
Current Investments	1.10
Trade Receivables < Six Months	5.85
Cash and Cash Equivalents	0.09
Short-Term Loans and Advances	2.44
<b>Total Assets</b>	<b>9.47</b>

<b>Annexure III</b>		
<b>Key Financial Ratios</b>		
<b>ACE Enterprises</b>		
		<b>FY13 (Audited)</b>
Tangible Net Worth	Crores	1.87
Total Debt/ Tangible Net worth	Times	2.83
Long Term Debt/ Tangible Net worth	Times	0.23
ISCR	Times	1.17
DSCR	Times	1.12
Operating Profit Margin	Per cent	2.07
Net Profit Margin	Per cent	0.20
Net Cash Accruals/Total Debt	Times	0.01
ROCE	Per cent	4.98
Current Ratio	Times	1.32