

Rating Rationale

Brickwork Ratings assigns 'BWR A4' for the Bank Credit Facilities aggregating ₹ 6 Cr of Adil Textiles Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the short term Bank credit facilities of ₹ 6 Cr including fund based and non-fund based amounts.

Facility	Limits (₹ Cr)	Tenure	Rating
Export Packing Credit (EPC)	3.00	Short Term (Fund Based)	BWR A4
FBD	2.00		
Letter of Credit (LC)	1.00	Short Term (Non-Fund Based)	
Total	6.00	INR Six Crores only	

The ratings are constrained by the modest scale of operations of Adil Textiles Pvt Ltd and its weak financial risk profile marked by fluctuating profit margins and exposure to Forex risks. The rating also factors in the industry characterized by severe competition from players in the unorganized as well as organized sectors.

The ratings, however, favorably take into account the vast experience of the promoters and established operations of the firm.

Background:

Adil Textiles Pvt Ltd was established in 2009. The unit is located at Tirupur, Tamil Nadu. It is involved in manufacturing of textile garments for Military Purposes. The directors of the company are Mr. Shahul Hameed and Aysha Nasren Shahul Hameed. The director of the company Mr. Shahul Hameed has an overall experience of 20 years in same line of business. The company exports its products to Middle East and African countries. The company procures raw materials from reputed spinning companies present at Tirupur.

Industry:

The Indian textiles and clothing industry is one of the largest contributors to the country's exports. Exports of textiles have increased steadily over the last few years. The government supported small and medium players in segments such as weaving, garments and knits. This

¹ Please refer to BWR website www.brickworkratings.com for definition of the Rating

led to growth of small and fragmented units. In the twelfth five year plan, planning commission has estimated the overall growth of exports in textile industry at 15%. The present decade promises to be the best ever decade for Indian Textile Industry and therefore may be regarded as the golden decade.

Financial Performance:

During FY12, the net revenue from operations has marginally increased to ₹ 11.96 Crores from ₹ 11.77 Crores in FY11. The company’s profitability is low with operating profit margin of 2.32 per cent and net profit margin of 1.06 per cent for FY 12. Good Liquidity position for the company which is evident from current ratio of 2.48 times for FY12. The tangible net-worth is low with 0.59 crores for FY12.

Rating Outlook:

The ability of the company to improve capital structure and increase volumes, going forward, remains the key rating sensitivity

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Annexure I			
Adil Textiles Pvt. Ltd.			
Statement of Profit and Loss	In ₹ Crores		
	31-03-2010 (Audited)	31-03-2011 (Audited)	31-03-2012 (Audited)
Net Sales	0.91	11.77	11.96
Other operating Income	0.00	0.85	0.64
Total Operating Income	0.91	12.62	12.60
Operating Expenses	0.90	12.38	12.31
Operating Profit Before Depreciation, Interest and Taxes	0.01	0.24	0.29
Depreciation	0.00	0.07	0.10
Operating Profit Before Interest and Tax	0.01	0.17	0.19
Interest and Finance Charges	0.01	0.04	0.04
Operating Profit Before Tax	0.00	0.13	0.15
Non- Operating Income(Expenses)	0.00	0.01	0.00
Profit Before Tax	0.00	0.14	0.15
Provision for Taxes	0.00	0.00	0.02
Profit After Tax	0.00	0.14	0.13

Annexure II			
Adil Textiles Pvt Ltd			
Balance Sheet	In ₹ Crores		
	31-03-2010 (Audited)	31-03-2011 (Audited)	31-03-2012 (Audited)
EQUITY AND LIABILITIES			
Equity and Reserves	0.26	0.50	0.59
Equity share capital	0.26	0.40	0.40
Reserves and Surplus	0.00	0.10	0.19
Non-current liabilities	0.00	0.03	3.59
Loans from directors/ Promoters	0.00	0.00	3.49
Loans from Financial Institutions	0.00	0.03	0.10
Current liabilities	1.48	2.90	2.41
Trade Payables	1.47	2.84	2.40
Short term provisions	0.02	0.06	0.01
Total Liabilities	1.74	3.43	6.59
ASSETS			
Non-current assets	0.09	0.52	0.62
Net Fixed assets	0.03	0.51	0.61
Long Term Loans and advances	0.06	0.01	0.01
Current assets	1.65	2.91	5.97
Inventory	0.88	0.56	1.72
Trade Receivables < Six Months	0.02	2.10	3.71
Cash and Cash Equivalents	0.68	0.01	0.00
Other current assets	0.07	0.24	0.54
Total Assets	1.74	3.43	6.59

Annexure III				
Adil Textiles Pvt Ltd				
Key Ratios		31-03-2010 (Audited)	31-03-2011 (Audited)	31-03-2012 (Audited)
Total Debt/ Tangible Net worth	Times	0.00	0.05	6.09
Interest Service Coverage Ratio	Times	3.50	6.70	7.31
Tangible Net Worth	₹ Crores	0.26	0.50	0.59
Net Profit Margin	Per cent	0.43	1.13	1.06
ROCE	Per cent	2.46	43.32	8.11
Current Ratio	Times	1.12	1.00	2.48

Note: Ratios are based on BWR calculations