

Rating Report

Brickwork Ratings upgrades rating to BWR BB- for the enhanced Long Term Bank Loan Facilities and reaffirms rating at BWR A4 for the Short Term Bank Loan Facilities of Aland Spinners Pvt Ltd (“ASPL” or “the Company”) aggregating to ₹18.82 Crores (Enhanced from Rs 18.70 Crores)

Brickwork Ratings has upgraded the **Ratings**¹ for the enhanced Long Term Bank Loan Facilities and reaffirmed the rating for Short Term Bank Loan Facilities of Aland Spinners Pvt Ltd (“ASPL” or “the Company”) as follows:

Bank Facility	Previous Amount (Rs Crores)	Present Amount (Rs Crores)	Tenure	Rating History (June 2014)	Present Rating (Oct 2015)
Cash Credit	4.00	5.00	Long Term	BWR B+ (BWR Single B Plus) Outlook: Stable	BWR BB- (BWR Double B Minus) Outlook: Stable Upgraded
Term loan	13.70	12.73*			
Bank Guarantee	1.00	1.09	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmed
Total	18.70	18.82	(INR Eighteen Crores and Eighty Two Lakhs Only)		

*Term Loan Outstanding as on October 29 2015

BWR has essentially relied upon the Company’s audited financial statements up to FY15, projected financials up to FY17, and the information/clarifications provided by the Company.

The rating continues to draw strength from experienced management, group support and improvement in performance. However, the rating remains constrained by the limited track record of operations, volatility in raw material prices, intense competition and working capital intensive nature of business.

Business operations

Aland Spinners Pvt Ltd was established by Mr.M.Natesan in 2013. The company has set up a spinning mill with 9072 spindles at Pallipalayam, Namakkal district, Tamilnadu. Mr. Natesan and his family run textile manufacturing units in the name of Amaravathy Textiles and Aditya Fabrics at Namakkal District.

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

The family controls about 100 own looms and about 500 looms (outsourced). Their expansion plans include increasing the capacity by 3024 spindles in the current financial year [FY16].

The company sells locally to power looms through brokers and not through orders. ASPL has 300-400 customers located in Pallipalayam, Erode, Kolkata and Biwandi.

Management

Aland Spinners Private Limited is a family owned Company with 19 shareholders. Mr Jagateesan is the Managing Director. Mr M Natesan, Mrs N Gandhimathi and Mrs J Sumathi are the directors.

Credit Risk Analysis:

Track Record of the Company:

Limited track record of operations as the company has 2 years of commercial operation. However, the company has achieved 85.75% of the projected sales in FY15

Financial Performance:

Operating Profit Margin and Net Profit Margin of the company were 16.78% and 3.70% respectively for FY15. Net worth of the company was Rs 5.35 Cr as on 31st March 2015.

Gearing has increased as seen in debt equity ratio of 3.36 times in FY15. Therefore, the overall financial risk profile of the company is expected to remain at below average level.

Experienced management and strong group support:

Well experienced management with directors having more than 3 decades of experience in the Textile Industry

Financial Performance

Operating Income of the Company increased from Rs 11.35 Crores in FY14 (6 months operations) to Rs 27.31 Crores in FY15. Profit after tax (PAT) improved from Rs 0.05 Crore in FY14 to Rs 1.01 Crores in FY15.

On a provisional basis, ASPL has reported Total Operating Income of ~Rs 17.51 Crores and PAT of Rs 0.95 Crores for HY1FY16.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to increase its scale of operations, increase profitability, ensure timely debt servicing and manage its working capital efficiently would be the key rating sensitivities.

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Aland Spinners Private Limited

Annexure I: Profit and Loss Account

Particulars (Rs Crores)	FY 14	FY 15
	Audited	Audited
Gross Sales	11.35	27.31
Net Sales	11.35	27.31
Total Operating Income	11.35	27.31
Operating Expenses	9.94	22.72
OPBDIT	1.41	4.58
Depreciation/Amortization/Impairment	0.54	1.15
OPBIT	0.87	3.43
Interest and Finance Charges	0.91	2.44
OPBT	-0.03	0.99
Non-Operating Income(Expenses)	0.08	0.06
PBT	0.04	1.05
Provision for Taxes	-0.01	0.04
PAT	0.05	1.01

Aland Spinners Private Limited

Annexure II: Balance Sheet

Particulars (Rs Crores)	FY 14 Audited	FY 15 Audited
LIABILITIES		
Equity And Reserves	3.06	5.35
Share capital	3.01	4.29
Reserves and Surplus	0.05	1.07
Non-current liabilities	12.95	12.74
Long-Term Borrowings	12.95	12.71
Deferred tax Liabilities (Net)	0.00	0.03
Current liabilities	8.57	6.03
Short-Term Borrowings	3.23	3.82
Current Portion Of Long Term Debt	1.08	1.47
Trade Payables	3.53	0.29
Other Current Liabilities	0.73	0.45
Total Liabilities	24.57	24.12
ASSETS		
Non-current assets	21.47	18.73
Net Fixed assets	20.03	16.82
Capital Work-In-Progress	0.17	1.23
Non-Current Investments	1.02	0.31
Deferred Tax Assets (Net)	0.01	0.00
Long Term Loans and Advances	0.23	0.36
Other Non-Current Assets	0.01	0.02
Current assets	3.10	5.38
Inventories	0.79	2.13
Trade Receivables > Six Months	0.00	0.03
Trade Receivables < Six Months	0.75	2.48
Cash and Cash Equivalents	0.78	0.12
Short-Term Loans and Advances	0.65	0.31
Other Current Assets	0.13	0.32
Total Assets	24.57	24.12

Aland Spinners Private Limited

Annexure III: Ratios

Particulars	Units	FY 14	FY 15
		Audited	Audited
Tangible Net Worth	Crores	3.06	5.35
Total Debt/TNW	Times	5.64	3.36
Long Term Debt/TNW	Times	4.23	2.38
ISCR	Times	1.56	1.88
Net Cash Accruals/Total Debt	Times	0.03	0.12
Net Profit Margin	%	0.47	3.70
Operating Profit Margin	%	12.43	16.78
ROCE	%	6.52	15.71
Current Ratio	Times	0.36	0.89
Days Receivables	Days	12	22
Days Inventory	Days	15	24
Days Payable	Days	3	4

Note: Ratios are based on BWR's calculation