for Informed Investment Decisions

Rating Report

Brickwork Ratings reaffirms 'BWR BB' & 'BWR A4' for the Bank Loan Facilities of Alpine Knits India Pvt. Ltd.

Brickwork Ratings (BWR) has *reaffirmed* the following **Ratings**[1] for Bank Loan Facilities of ₹ 38.08 Cr (reduced from ₹ 44.33 Cr) of Alpine Knits India Pvt ltd *('AKIPL' or 'the Company')*.

Facility	Limit (₹ Cr)	Tenure	Rating
Cash Credit	**10.00**	**Long Term**	**BWR BB** (BWR Double B) **Outlook: Stable**
Term Loan	**13.18***		
ILC/FLC	***12.40***	**Short Term**	**BWR A4+** (BWR A Four Plus)
Bank Guarantee	***2.50***		
Total	**38.08**	***(INR Thirty Eight Crores and Eight lacs only)***	

* Term loans outstanding as on 31/12/13

BWR has principally relied upon the financial results up to FY13, provisional financial results up to September, 2013 and projected financials of FY14 of AKIPL, publicly available information and information/clarification provided by the Company management.

The rating has factored, inter alia, the promoters' vast experience in the textile sector, well - established clientele , technically qualified staff and ability of the Company to increase its scale of operations and manage its working capital efficiently. The rating is constrained by thin profit margins, intense competition, relatively small scale of operations and volatility associated with raw material prices.

Company Background

AKIPL, a private limited company was incorporated in 2002 as an agency for sewing machinery brands from Singapore, Japan and other countries. In the year 2007, the Company has started spinning of cotton yarn at Palladam taluk, Tirupur, Tamilnadu. Installed capacity of the Company is 20400 spindles. Capacity utilization is at around 90 percent .

The Company's major revenue is from sales of cotton yarn (40%), cloth (30%) and sewing machines (25%). The remaining share of sales is from sale of Scrap, waste cotton and other . Products.

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

The company manufactures 100% Hosiery yarn for counts between Ne 10s to 40s. The mill has state of the art machinery from LMW- Coimbatore, MURATEC-Japan and USTER testing equipment. The Company procures the best quality cotton from selected ginning factories in Gujarat with whom the company has excellent business relationship.

Management Profile

The Company was promoted by Mr.P.Vikramraj aged 46 years and Mr.R.R.Shrinivasan aged 45 years. Both were in chemical business earlier and in the year 2002, they have entered the textile industry along with Mr. RajaM.Shanmugam and Mr.M.Ramaswamy who are in the textile business for the last 20 years.

Financial Performance

During the year 2013, the company had revenues of Rs.98.22 Cr compared to revenues of Rs.75.64 Cr in the year 2012. Though there was increase in sales in FY 2013, the net profit has reduced to Rs.0.33 Cr from Rs.0.37 Cr in FY 2012 due to increase in interest expenses. The Company has very low net profit margin due to high cost of purchases and interest and finance charges.

As per the company has achieved sales of Rs.94.56 Cr up to January 2014, the company is confident of surpassing the targeted sales and profit for FY14.

The Company's tangible net worth has improved from Rs.5.27 Cr to Rs.7.53 Cr on account of infusion of Preference share capital to the extent of Rs.1.96 Cr during FY13 The debt equity ratio is high at 4.27x. The company has revalued its factory land by Rs.9 Cr during Sept 2012.

Rating Outlook

Going forward, the ability of AKIPL to expand its scale of operations leading to improvement in turnover and profitability, manage its working capital cycle and sustain the favorable capital structure will be the key rating sensitivity factors.

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Annexure I: Abridged Balance Sheet of Alpine Knits India Pvt Ltd (Rs in Crores)

Balance Sheet	Audited	Audited	Audited
Crores	**FY 2011**	**FY 2012**	**FY 2013**
Liabilities			
EQUITY AND RESERVES	**4.86**	**5.27**	**16.53**
Share capital	3.00	3.00	3.00
Preference Share Capital	0.00	0.00	1.96
Reserves and Surplus	1.86	2.27	2.57
Revaluation Reserve	0.00	0.00	9.00
Non-current liabilities	**26.70**	**24.73**	**16.95**
Long-Term Borrowings	26.47	23.06	14.65
Other Long Term liabilities	0.23	1.66	2.30
Current liabilities	**38.94**	**39.72**	**35.81**
Short-Term Borrowings	10.53	9.35	10.17
Current Portion Of Long Term Debt	6.96	9.40	7.37
Trade Payables	20.87	19.84	16.62
Other Current Liabilities	0.25	0.83	1.13
Short-Term Provisions	0.32	0.30	0.52
Total Liabilities	**70.50**	**69.71**	**69.29**
ASSETS			
Non-current assets	**42.93**	**38.04**	**41.94**
Net Fixed assets	32.43	28.37	33.85
Non Current Investments	0.00	0.00	0.05
Long Term Loans and Advances	5.74	5.13	4.83
Long Term Trade Receivables	4.76	4.54	3.20
Current assets	**27.57**	**31.68**	**27.36**
Current Investments	0.00	0.00	0.00
Inventories	16.37	21.21	15.83
Trade Receivables > Six Months	0.00	0.00	1.46
Trade Receivables < Six Months	6.40	5.23	5.44
Cash and Cash Equivalents	0.76	1.61	0.87
Short-Term Loans and Advances	4.04	0.46	1.76
Other Current Assets	0.00	3.16	1.99
Total Assets	**70.50**	**69.71**	**69.29**

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Annexure II: Profit and Loss Account of Alpine Knits India Pvt Ltd (Rs in Crs)

	FY 2011	FY 2012	FY 2013
Result Type	Audited	Audited	Audited
Net Sales	**79.59**	**75.64**	**98.22**
Other Operating Income	3.10	0.42	0.48
Total Operating Income	**82.69**	**76.07**	**98.70**
Operating Expenses	**74.82**	**69.28**	**90.41**
OPBDIT	**7.87**	**6.79**	**8.29**
Depreciation/Amortization/Impairment	3.93	4.15	3.61
OPBIT	**3.95**	**2.64**	**4.68**
Interest and Finance Charges	4.71	5.85	5.33
OPBT	**-0.76**	**-3.22**	**-0.65**
Non Operating Income(Expenses)	1.01	3.67	1.06
PBT	**0.25**	**0.45**	**0.41**
Provision for Taxes	-0.57	0.09	0.08
PAT	**0.81**	**0.37**	**0.33**