

## Rating Rationale

**Brickwork Ratings assigns ‘BWR BB’ for long-term Bank Loan Facilities and ‘BWR A4+’ Rating for short-term Bank Loan Facility of Alpine Knits India Pvt. Ltd. (AKIPL)**

**Bank Loan Rating: BWR BB/A4+**

**Outlook : Stable**

Brickwork Ratings (BWR) has assigned the rating of ‘**BWR BB**’ (Pronounced BWR Double B) with a stable outlook for the long term bank loan facilities of Rs.26.63 Crores and ‘**BWR A4+**’ (Pronounced A Four Plus) for the short term bank loan facility of the company of Rs. 17.70 Crores of Alpine Knits India Pvt ltd (‘AKIPL’ or ‘the Company’).

Facility	Limits (₹ In Crs)	Tenure	Rating
Cash Credit	9.00	Long Term	<p><b>BWR BB</b> (Pronounced BWR Double B) Outlook - Stable</p> <p>Credit Facilities with this rating are considered to have <b>moderate risk</b> of default regarding timely servicing of financial obligations</p>
Term Loan	17.63		
ILC/FLC	15.40*	Short Term	<p><b>BWR A4+</b> (Pronounced BWR A Four Plus)</p> <p>Credit Facilities with this rating are considered to have <b>minimal degree</b> of safety regarding timely payment of financial obligations.</p>
Bank Guarantee	2.30		
<b>Total</b>	<b>44.33(INR Forty four Crores and thirty three lacs only)</b>		

\*\*Inclusive of Rs.3 Crs ILC/FLC regular limit which will be made available only after the company liquidates Rs.5 Crs one- time FLC limit.

BWR has principally relied upon the financial results up to FY12, Provisional financial results up to Sept 2012 and projected financials of FY13 of AKIPL, publicly available information and information/clarification provided by the Company management.

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The rating has factored, inter alia, the promoters' vast experience in the textile sector, the well-established clientele base, technically qualified staff and ability of the Company to increase its scale of operations along with efficient management of working capital. The rating is constrained by very thin profit margins, low level of net worth, intense competition, fluctuating turnover, small scale of operations and volatility associated with raw material prices.

### **Company Background**

AKIPL, a private limited Company was incorporated in 2002 to do agency business of sewing machinery brands from Singapore, Japan and other countries. Later 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. Current capacity utilization is around 90 per cent.

The Company's major revenue is from sales of Cotton yarn (40%), Cloth (30%) and Sewing machinery (25%). The remaining share of sales is from sale of Scrap, waste cotton and other exports.

The company commenced manufacturing operations in 2007 with the manufacture of 100% Hosiery yarn. The mill manufactures quality counts between Ne 10s to 40s. The mill has a complete range of state of the art spinning 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 have been dealing in chemical business earlier and in the year 2002 they have entered into textile industry along with Mr.Raja M. Shanmugam and Mr.M.Ramaswamy who are into this textile business for the last 20 years.

## Financial Performance

Up to 2011, the company's sales was growing on an average 35%, during the year 2012, it has marginally reduced due to general recession in the textile industry.

Though there is reduction in sales in FY 2012, the PBIDT has increased by 25% due to reduction in reduced purchase cost. But the net profit has reduced due to increase in interest expenses. The Company has very low net profit margin due to high cost of purchases, interest and finance charges. Under non-operating income for the year end 2012, there was loss on account exchange rate fluctuations. However, the company is now taking care of the same by taking forward contracts.

The company has projected sales of Rs.88.92 Crs and profit of Rs.0.35 Crs for FY2013. As per the achieved sales up to Nov 2012 i.e, Rs.61.98 Crs, the company is confident of surpassing the targeted sales and profit for the year end 2013.

The Company's tangible net worth has projected to be improved from Rs.9.77 Crs to Rs.11.78 Crs on account of infusion of Preference share capital to the extent of Rs.1.48 Crs. The debt equity ratio is high even after infusion of equity by way of preference share capital . The company has revalued its factory land to the extent of Rs.9 Crs during Sept 2012.

## Rating Outlook

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

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**Annexure I : Abridged Balance Sheet**

**₹ in Crores**

<b>Particulars(Rs in Crores)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>EQUITY</b>	4.05	9.36	9.77
Share capital	3.00	3.00	3.00
Preference Share Capital/Quasi Equity	-	4.50	4.50
Reserves and Surplus	1.05	1.86	2.27
<b>Non-current liabilities</b>	<b>23.26</b>	<b>22.20</b>	<b>20.23</b>
Long-Term Borrowings	22.65	21.97	19.47
Deferred tax Liabilities (Net)	0.61	-	-
Other Long Term liabilities	-	0.23	0.76
<b>Current liabilities</b>	<b>23.38</b>	<b>38.94</b>	<b>39.72</b>
Short-Term Borrowings	6.94	10.53	9.35
Current Portion Of Long Term Debt	-	6.96	9.40
Trade Payables	13.98	19.65	18.80
Other Current Liabilities	2.33	1.63	2.09
Short-Term Provisions	0.13	0.16	0.09
<b>Total Liabilities</b>	<b>50.69</b>	<b>70.50</b>	<b>69.71</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>26.70</b>	<b>42.93</b>	<b>38.04</b>
Net Fixed assets	23.71	32.43	28.37
Capital Work-In-Progress	0.19	-	-
Non -Current Investments	-	3.63	4.16
Deferred Tax Assets (Net)	-	-	-
Long Term Loans and Advances	-	2.11	0.97
Other Non- Current Assets( includes receivables > six months)	2.80	4.76	4.54
<b>Current assets</b>	<b>23.99</b>	<b>27.57</b>	<b>31.68</b>
Current Investments	2.47	0.11	0.89
Inventories	8.80	16.37	21.21
Trade Receivables < Six Months	8.02	6.40	5.23
Cash and Cash Equivalentents	0.98	0.65	0.73
Short-Term Loans and Advances	3.72	4.04	3.62
<b>Total Assets</b>	<b>50.69</b>	<b>70.50</b>	<b>69.71</b>

## Annexure II: Abridged Profit & Loss

Particulars(Rs in Crores)	2010	2011	2012
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Net Sales	54.45	79.59	76.07
Other Operating Income	2.46	3.10	3.14
Total Operating Income	56.91	82.69	79.20
Operating Expenses	49.41	74.82	69.28
Operating Profit Before Depreciation, Interest and Taxes	7.50	7.87	9.92
Depreciation/Amortization/Impairment	3.36	3.93	4.15
Interest and Finance Charges	3.38	4.71	4.83
Operating Profit Before Tax	0.76	(0.76)	0.94
Non- Operating Income(Expenses)	(0.05)	1.01	(0.49)
Profit Before Tax	0.72	0.25	0.45
Extraordinary/Prior Period - Income(Expense)	2.46	-	-
Provision for Taxes	(0.58)	(0.57)	0.09
Adjusted Profit After Tax(Continuing Operations)	3.76	0.81	0.37

### Annexure III: Ratio Analysis\*

Key Ratios	2010	2011	2012
Total Debt/ Equity (times)	7.30	4.22	3.91
Interest Service Coverage Ratio(times)	2.22	1.67	2.05
Debt Service Coverage Ratio	1.59	0.78	0.59
Tangible Net Worth	4.05	9.36	9.77
Net Profit Margin	6.90	1.02	0.49
Net Cash Accruals/Total Debt	0.14	0.10	0.14
ROCE	19.27	11.92	10.91
Current Ratio	1.03	0.71	0.80

\* Calculation has been done based on BWR ratio definition