

Rating Report

Brickwork Ratings assigns “BWR BB-” for the Bank Loan Facilities aggregating to ₹.10.61 Cr of Arun Shankar Textile.

Brickwork Ratings (BWR BB-) has assigned the following **Ratings¹** for the Bank Loan Facilities of ₹.10.61 Cr of Arun Shankar Textile (*The Firm*)

Facility (Fund Based)	Limits (₹ Cr)	Tennure	Rating
Cash Credit	6.00	Long Term	BWR BB- (BWR Double B Minus) Outlook: Stable
Term Loan	0.61		
Proposed – Cash Credit	4.00		
Total		10.61	INR Ten Crores and Sixty One Lakhs Only

BWR has primarily relied upon the audited financials from FY13 to FY15, publicly available information and the information/clarifications provided by the firm’s management.

The rating, inter alia, has factored the experience of partners, established customer and supplier’s relationship, locational advantage of the unit, low gearing profile and adequate liquidity position. However, the rating is constrained by decline in profitability margins, moderate networth, fragmented nature of industry, vulnerability to fluctuation in the prices of traded goods and cyclical nature of the industry (Cotton).

Background:

M/s Arun Shankar Textile is a partnership firm established on November 01, 1989 by Mr. K Govindasamy, Mrs. G Rajeshwari and Mr. G Arun Kumar. Firm is engaged in manufacturing of cotton yarn and cotton grey cloth. The cotton yarn manufacturing unit has an installation capacity of 11648 spindles per day and with current utilization of 100%, and located at Pethanaickenpalayam village, Pongalur (PO), Tamil Nadu. Cloth manufacturing unit is located at a distance of 183 Km from cotton yarn manufacturing unit, with installed capacity of 80,000 meters/day and with current utilization of 75%.

Management Profile:

Mr. K Govindasamy is Managing Partner and has an extensive experience of more than 3 decades in the same business. The other two partners of the firm are Mrs. G Rajeshwari and Mr. G Arun Kumar, who have vast experience in Textile Industry.

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

Financial Performance:

As per FY15 audited financials, net revenues of the firm witnessed an improvement from Rs.28.25 Crores in FY14 to Rs.39.55 Crores in FY15. The operating profit and net profit margin declined from 7.26% & 3.48% in FY14 to 6.09% & 2.78% in FY15 respectively.

Tangible net worth of the firm reported at Rs.7.63 Crores in FY15. Low gearing profile reported from debt equity of 0.96X in FY15.

Rating Outlook:

The outlook of the firm is expected to be stable for the next one year. Going forward, ability of the firm to increase its scale of operations and profitability margins, to sustain the capital structure and effectively manage its working capital cycle are the key rating sensitivities

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Annexure I

Arun Shankar Textile

Statement of Profit and Loss

in ₹ Crores

Crores	FY 13	FY14	FY15
Result Type	Audited	Audited	Audited
Gross Sales	23.81	28.25	39.55
Net Sales	23.81	28.25	39.55
Other Operating Income	0.06	0.08	0.11
Total Operating Income	23.87	28.34	39.66
Operating Expenses	22.02	26.28	37.24
OPBDIT	1.85	2.06	2.42
Depreciation/Amortization/Impairment	0.04	0.10	0.26
OPBIT	1.81	1.96	2.16
Interest and Finance Charges	0.98	0.97	1.11
OPBT	0.83	0.99	1.05
Provision for Taxes	0.00	0.00	0.05
PAT (Continuing Operations)	0.83	0.99	1.10
PAT	0.83	0.99	1.10

Annexure II			
Arun Shankar Textile			
Statement of Balance Sheet		in ₹ Crores	
Crores	FY 13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
Equity and Reserves	5.61	6.65	7.63
Share Capital	4.77	5.67	6.53
Reserves and Surplus	0.84	0.98	1.10
Non-current Liabilities	1.98	2.22	1.30
Long-Term Borrowings	1.98	2.22	1.30
Current Liabilities	5.23	6.09	7.38
Short-Term Borrowings	4.40	4.50	6.03
Trade Payables	0.83	1.59	1.35
Other Current Liabilities	0.00	0.00	0.00
Total Liabilities	12.82	14.96	16.31
Assets			
Non-current Assets	4.52	5.56	5.30
Net Fixed Assets	4.52	5.56	5.30
Current Assets	8.30	9.40	11.01
Inventories	5.19	6.03	7.38
Trade Receivables< Six Months	2.08	2.20	2.33
Cash and Cash Equivalent	0.10	0.04	0.10
Short-Term Loans and Advances	0.45	0.16	0.58
Other current Assets	0.48	0.97	0.62
Total Assets	12.82	14.96	16.31