

## Rating Rationale

### Brickwork Ratings assigns rating for Bank Credit Facilities aggregating ₹ 26.40 Crores of Ashnoor Textile Mills Ltd. (ATML)

<b>Bank Loan Rating: BWR A4+</b>	<b>Outlook : Stable</b>
----------------------------------	-------------------------

Brickwork Ratings (BWR) has assigned the rating of '**BWR A4+**' (Pronounced BWR A Four Plus) for the Short term Bank credit facilities of ₹ 26.40 Crores of Ashnoor Textile Mills Ltd. (ATML).

<b>Facility</b>	<b>Limits (₹ In Crs)</b>	<b>Tenure</b>	<b>Rating</b>
<b>Working Capital: Packing Credit</b>	<b>10.00</b>	<b>Short Term</b>	<p><b>BWR A4+</b> <b>(Pronounced BWR A Three)</b> <b>Outlook: Stable</b></p> <p><i>Instruments with this rating are considered to have <b>minimal degree of safety</b> regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.</i></p>
<b>Foreign Bill Purchase</b>	<b>12.00</b>	<b>Short Term</b>	<p><b>BWR A4+</b> <b>(Pronounced BWR A Three)</b> <b>Outlook: Stable</b></p> <p><i>Instruments with this rating are considered to have <b>minimal degree of safety</b> regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.</i></p>
<b>Standby Limit under Exporters Gold Card</b>	<b>4.40</b>	<b>Short Term</b>	<p><b>BWR A4+</b> <b>(Pronounced BWR A Three)</b> <b>Outlook: Stable</b></p> <p><i>Instruments with this rating are considered to have <b>minimal degree of safety</b> regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.</i></p>
<b>Total</b>	<b>26.40* (INR Twenty six Crores forty lacs only)</b>		

(\*Company has also got sanction of Rs. 1.6 Crores in Derivatives, which falls out of the rating exercise)

BWR has principally relied upon the audited financial results up to FY12, projected financials of FY13 & FY 14 of ATML, publicly available information and information/clarification provided by the Company management.

The rating factors ATML's established position in the terry towel industry, Integrated operations from dyeing to finishing which results in operational efficiencies, Customer concentration, Low Profit Margin, High dependence on exports exposes the company to foreign exchange fluctuations and global economic slowdown, Impact on profit margin due to volatility in yarn prices.

### **Company Background**

ATML was incorporated in January 1984 as Gupta Carpet Udyog Limited and was earlier engaged in manufacturing & trading of carpets in the domestic and export markets. In FY 1994, the Company set up a 100% EOU for manufacturing of terry towels in Gurgaon with an installed capacity of 1,300 MT per annum, this was subsequently increased in 2008-09 to the present capacity of 2,600 MT per annum. The Company has stopped production and continues trading activity of carpets in small amount.

The Company has in-house facilities for yarn dyeing, weaving, fabric dyeing and finishing of terry towels. It has 40 looms for weaving, out of which 2 are Jacquard and 38 are Dobby looms, with a total production capacity of 7 tons per day (tpd). As the Company focuses on the value segment with most of the revenues from towels made on Dobby looms and limited presence in value added products such as bath robes and mats, the realizations for ATML are lower compared to that of other established players in the industry.

### **Management Profile**

ATML, promoted & headed by Mr. Suneel Gupta as CMD, has an established position in terry towel industry. The promoter has over two decades of experience in the terry towel industry. The management team is led by well qualified and experienced people working since long time in the industry.

### **Financial Performance**

During the year FY 12, the company's operating income substantially declined by 36.33% Rs 2.05 Crores from Rs 3.22 Crores in FY 11. Operating profit margins

---

deteriorated to 4.53% compared to 5.28% in previous year. ATML earned PAT of Rs. 0.02 Crores with PAT margins at 0.044% compared to PAT of Rs. 0.9 Crores with PAT margins at 1.47% in FY11.

### Results as on September 2012

ATML reported net operating income of Rs. 44.38 Crores as on Sept 2012. PAT stood at Rs. 0.31 Crores with net profit margins at 0.71%.

### Rating Outlook

ATML is expected to show a healthy revenue development with improving margins by maintaining low operational cost and leading to improvement in cash accruals to meet its working capital obligations. Continuing to sustain and grow in the right direction with strengthening of financial parameters would be the key rating sensitivities.

Analyst Contact	Relationship Contact
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
Phone	Media Contact
1-860-425-2742	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.