

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' for the Bank Loan Facilities aggregating to ₹ 10 Cr of Avarampalayam Sarvodaya Sangh

Brickwork Ratings has assigned following **Rating¹** for the Bank Loan Facilities of **Avarampalayam Sarvodaya Sangh (ASS)**.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	10.00	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Total	10.00	(INR Ten Crores only)	

The rating factors, inter alia, long history of operations and growth of the revenue over the last two years. However, the rating is constrained by low operating and net profitability margins, unorganized suppliers, high inventory levels and receivables, volatility of raw material prices and high competition.

Background:

Avarampalayam Sarvodaya Sangh was registered under the society's registration Act in 1966. Since 1970, it is operating as a Sangham under the KVIC (Khadi and Village Industries Commission).

Sri S Panner Selvam is the Chairman. Sri S. Sivakumar is the Secretary and Sri K Palanisamy is the Treasurer. Upto 1990, the working capital was provided by KVIC, the principal decision was based on no interest and no repayment, but performance of the Sangh is monitored by KVIC. During 1990 Sangh also availed bank loans with a portion of interest directly paid by KVIC. The effective interest rate for the Sangh is 4%. The remaining interest is paid by KVIC.

The Sangh is into both manufacturing and trading. The sales are around 70% via retail and 30% via wholesale. Out of the 30% wholesale around 50% is via barter system to other khadi institutions. There are 100 direct employees and 1000 artisans and around 1000 indirect artisans working for the Sangh. The Sangh has plans to increase the Textile business.

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

Financial Performance:

Net Revenue from operation increased from ₹ 47.20 Crores in FY11 to ₹ 62.29 Crores in FY12. EBIDTA was ₹ 0.56 Crores in FY12 and PAT was ₹ 0.19 Crores in FY12.

Rating Outlook:

The rating reflects the position of the Sangh in the segment catering to textile products and village industrial products. Going forward sustaining the revenue growth rate, improving the profitability margins and maintaining a favorable capital structure will be the key rating sensitivity factors.

analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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