

Press Release

Alpha Exports

August 01, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.80 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 5.80 crore bank facilities of Alpha Exports. The outlook is '**Stable**'.

Established in 2013, Alpha Exports is a partnership firm based out of Tiruppur (Tamil Nadu) engaged in manufacturing and exporting of fabrics with installed capacity of 1,00,000 pieces per month. The firm is promoted by Mr. Jose P.T and Mr. Vinod Joy with a decade of experience in this industry.

Key Rating Drivers

Strengths

- **Moderate financial risk profile:**

Alpha Exports' financial risk profile is below average marked by EBITDA margin at 26.10 percent in FY2018 (Provisional) as against 9.34 percent in FY2017 showing an improvement. PAT margin stood at 19.31 percent in FY2018 (Provisional) as against 1.99 percent in FY2017. Debt-Equity ratio stood at 2.05 times in FY2018 (Provisional) as against 1.41 times in FY2017. TOL/TNW stood at 2.27 times in FY2018 (Provisional) as against 1.81 times in FY2017. Interest Coverage Ratio stood at 4.46 times in FY2018 (Provisional) as against 1.01 times in FY2017. Net cash accruals stood at Rs.0.86 crore in FY2018 (Provisional).

Weaknesses

- **Modest Scale of operation:**

Alpha Exports' scale of operation is modest with revenue of Rs.4.26 crore in FY2018 (Provisional) as against Rs.1.05 crore in FY2017 on account of early stage of operation.

- **Highly competitive and fragmented industry**

The textile garmenting industry is highly competitive and fragmented industry which has a large number of organised and unorganised players. The competition is intense due to low entry barriers and low product differentiation.

- **Working capital intensive nature of operation:**

The business is working capital intensive in nature marked by high Gross Current Asset (GCA) days and working capital cycle days. GCA stood at 487 days in FY2018 (Provisional) as against 786 days in FY2017. Working capital cycle stood at 300 days in FY2018 (Provisional) as against 38 days in FY2017.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Alpha Exports to arrive at this rating.

Outlook: Stable

Acuite believes that Alpha Exports will maintain 'Stable' outlook over the medium term on account of moderate financial risk profile. The outlook may be revised to 'Positive' in case of increase in the scale of operation while maintaining profitability. The outlook may be revised to 'Negative' if the working capital cycle deteriorates or profitability reduces.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	4.26	1.05	1.03
EBITDA	Rs. Cr.	1.11	0.10	0.06
PAT	Rs. Cr.	0.82	-0.02	0.03
EBITDA Margin	(%)	26.10	9.34	6.12
PAT Margin	(%)	19.31	-1.99	2.45
ROCE	(%)	20.08	4.53	12.37
Total Debt/Tangible Net Worth	Times	2.05	1.41	1.72
PBDIT/Interest	Times	4.46	1.01	2.03
Total Debt/PBDIT	Times	4.99	14.46	9.05
Gross Current Assets (Days)	Days	487	786	294

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.23	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.17	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A4

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About Acuité Ratings & Research:

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