

## Ankur Udyog Limited

Instrument	Amount In Rs. Crore <sup>^</sup>	Rating Action
Fund-based, Long-term facilities	14.30 (reduced from 18.30)	[ICRA]BBB+(Stable); Reaffirmed
Non-fund Based, Short-term facilities	0.70	[ICRA]A2; Reaffirmed

ICRA has reaffirmed its long term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) on Rs. 14.30 crore (reduced from Rs. 18.30 crore) and short rating of [ICRA]A2 (pronounced ICRA A two) on Rs. 0.70 crore of bank lines of Ankur Udyog Limited (AUL). The outlook on the long term rating is 'Stable'.

ICRA's ratings reaffirmation factors in the satisfactory operating performance, with healthy plant capacity utilisation in FY2016 and improvement in the contribution margins<sup>1</sup>. The ratings also derive comfort from AUL's established track record in the man-made yarn spinning industry and its established dealer/distribution network. AUL's liquidity position remains comfortable with sizeable investments in mutual funds. ICRA expects that liquid investments will continue to remain in the company and will be a key determinant of its liquidity. ICRA's ratings also take into account AUL's financial profile, which remains range bound and the healthy capital structure, resulting in adequate debt-coverage indicators.

The ratings, however, are constrained by AUL's below-average profitability in relation to industry peers. The ratings are also constrained by the high competition prevailing in the Indian spinning industry because of its fragmented nature and commoditised nature of the finished product, i.e. yarn, resulting in low bargaining power for manufacturers and low profitability. This apart, the cyclical nature of the industry, driven by volatility in raw material prices and exchange rates, also poses a challenge for the company.

Going forward, the high capacity utilisation, along with a sustained improvement in operating margins and efficient working capital management, will be the key rating sensitivities. Any large debt-funded capex or deployment of liquid funds in unrelated activities will also be key rating monitorables.

### Company Profile

Incorporated in 1996, AUL is promoted by Mr. Ashok Jalan and his family. AUL manufactures 100% polyester and viscose-polyester blended yarn (26 to 30 counts) at its plant located at Gorakhpur, Uttar Pradesh. The company has a capacity to manufacture 17,625 metric tonnes (MT) of yarn, with 65,664 spindles installed as on March 31, 2016. The company drives major revenue from Ludhiana, Punjab, which is known as a knitting hub in Northern India.

### Recent Results

AUL reported a net profit of Rs. 5.78 crore on an operating income of Rs. 181.91 crore for FY2016, as compared to a net profit of Rs. 0.21 crore on an operating income of Rs. 177.86 crore for the previous year.

**October 2016**

<sup>^</sup> 100 lakh = 1 crore = 10 million

<sup>1</sup> Contribution margins stands for the difference between average selling price per kg and cost of raw material consumed per kg



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