

## Rating Rationale

### AMRIT CRAFTS PVT LTD

**Brickwork Ratings upgrades the ratings for the long term bank loan facilities of Amrit Crafts Pvt Ltd (ACPL or the Company), and reaffirms the rating for their short term bank loan facilities, for a reduced aggregate amount of Rs. 34.10 Crs.**

#### Particulars:

Facility@	Amount (₹ Crs)		Tenure	Ratings*	
	Previous	Present		Previous (Jul, 2019)^	Present
<b>Fund based:</b>					
<b>Cash Credit</b>	<b>12.00</b>	<b>12.00</b>	<b>Long Term</b>	<b>BWR BB-/Stable</b>	<b>BWR BB/Stable, Upgraded</b>
<b>Long Term Loan</b>	<b>22.47</b>	<b>20.10</b>			
<b>Non Fund based:</b>					
<b>Bank Guarantee</b>	<b>1.00</b>	<b>1.00</b>	<b>Short Term</b>	<b>BWR A4</b>	<b>BWR A4, Reaffirmed</b>
<b>Letter of Credit</b>	<b>1.00</b>	<b>1.00</b>			
<b>Total</b>	<b>36.47</b>	<b>34.10</b>	<b>(INR Fifty Crores Eighty Five Lakhs Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

@Complete details of Bank facilities are provided in Annexure-I

^ Ratings moved to Not Reviewed Advisory on 13 July 2020.

#### RATING ACTION/OUTLOOK

BWR has essentially relied upon the Audited financials of ACPL for FY19, Provisional financials for FY20 and projections for FY21 & FY22, other information as available in the public domain, as well as information / clarifications provided by the company and its bankers, to arrive at the present ratings.

**Based on an annual review**, BWR has **upgraded** the rating for the long term bank loan facilities of Rs.32.10 Crs (Reduced from Rs.34.47 Crs) of ACPL to **BWR BB/Stable**, and has **reaffirmed** the rating for its short term bank loan facilities of Rs.2.00 crs at **BWR A4** (aggregate rated amount reduced to Rs.34.10 Crs from Rs.36.47 Crs.).

The outlook has been retained at **'Stable'** as BWR believes that the business risk profile of Amrit Crafts Pvt Ltd will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



The Rating reaffirmation draws strength from the promoters' extensive experience in the textile industry for close to three decades - both in the domestic as well as in the international markets. The rating also factors in the improvement in the revenue of the company, and a healthy operating margin, albeit with a slight deterioration in FY20 on account of higher raw material purchases for supporting its own production. The rating further draws comfort from its favourable growth and expansion prospects, as well as the strategic location of the plant which is situated near Jessore Road (National Highway-12), providing ease of transportation.

The ratings are however constrained by the adverse impact of the current pandemic situation on the textile industry, and the uncertainties arising therefrom, going forward, The rating also factors in the modest debt protection and credit metrics of the company, along with its high net cash cycle and its stretched liquidity position.

Going forward, the ability of the company to improve its revenue and liquidity position, maintain profitability, and improve its credit metrics and net cash cycle, would be the key rating sensitivities.

## KEY RATING DRIVERS

### Credit Strengths:

**Strong promoter experience:** AEPL is managed by its four Directors namely, Mr. Anil Buchasia, Mr. Sohm Buchasia, Mr. Shivam Buchasia & Mr. Krishna Kumar Ram who are professionally qualified and have close to three decades of experience in the textile industry - both in the domestic and in the international markets.

**Improvement in revenue:** The company started its operations in February 2018, hence FY20 was only its second full year of operations. However, the company managed to book strong revenue growth of 47.83% as per provisional financials for FY20. During FY20, the company booked revenue of Rs.43.61 Crs which improved from Rs.29.50 Crs in FY19. Improvement in revenue was on account of increase in volume and increase in sales price.

**Healthy operating margin, albeit with a slight deterioration in FY20:** The company booked a healthy operating margin of around 19.97% as per provisional financials for FY20 although it deteriorated slightly from 23.10% in FY19. The dip in operating margin was on account of higher raw material purchases for supporting its own production - however, it resulted in higher production and higher income generation from its own manufacturing operations, as compared to job work done.

**Possible advantages from forward integration with its parent:** Given the nature of its operations, ACPL has abundant scope to go in for forward integration with its parent company AEPL (which holds 81.13% stake in ACPL) through its dyeing and processing unit, and derive the benefits of group synergy, including access to overseas markets.. In addition, the company has 7 acres of land, of which currently 70% is vacant, which gives additional advantage to the company for implementing future expansion plans.



**Strategic location:** The plant is located in Joypul, Bira near Barasat and close to Jessore Road which is a major highway, thus providing ease of transportation.

#### **Credit Weaknesses:**

**Uncertainty arising out of the current situation:** Since the company deals in goods which are mostly not essential commodities but rather discretionary in nature, the impact of the pandemic is likely to continue for some time. The effect of the pandemic has been felt sharply in the textile industry. The situation is also likely to be exacerbated by the uncertainties in international trade at this point., which are likely to impact ACPL indirectly through its linkages with its group company Amrit Exports Pvt. Ltd.

**Modest credit metrics and debt protection metrics:** The debt protection metrics of the company remained modest as per provisional financials for FY20, although there was a slight improvement. The Debt to Equity ratio and Total Outside Liabilities to Tangible Net worth ratio remained modest at 2.37 times (FY19: 2.85 times) and 3.19 times (FY19:3.50 times) respectively. However, the same is expected to improve as the company does not have any debt led capex in the near term.

Further, the DSCR of the company also stood modest at 1.33 times as per FY20 provisionals, as against 1.12 times in FY19. The ISCR of the company has however improved and stood comfortable at 2.69 times during FY20 (FY19: 1.86 times).

**High Net Cash Cycle:** The net cash cycle of the company remained high at around 161 days as per FY20 provisionals, although it improved from 355 days in FY19. This was on account of improvement in the receivable period to 111 days in FY20 against 303 days in FY19.

**The liquidity position** of the company is stretched.

#### **ANALYTICAL APPROACH**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

**Positive:** Increase in revenues from present level, along with maintenance of the company's EBITDA margin leading to improvement in credit metrics, and improvement in net cash cycle and liquidity, may lead to positive rating action.

**Negative:** Deterioration in revenue and profitability leading to deterioration in credit metrics or deterioration of the liquidity position of the business, may lead to negative rating action.

#### **LIQUIDITY INDICATORS: Stretched**

The liquidity position of the company stands stretched as evidenced by its close to full utilisation of working capital limits on a regular basis, with some instances of overdrawings during the last



six months ended July 2020. The net cash cycle of the company also stood high at around 161 days as per FY20 Provisionals (which improved from 355 days in FY19), on account of a high receivable period of 111 days. However, the company as of now does not have any major debt led capex during FY21 and has a repayment obligation of Rs.3.54 Crs in FY21, which is expected to be repaid from EBITDA generation of the company. The Current Ratio of the company also remained acceptable at 1.34 times as per FY20 provisionals, continuing at a similar level as in FY19 (1.32 times).

#### **ABOUT THE COMPANY**

Incorporated in 2004, Amrit Crafts Pvt Ltd. is located at Kolkata, West Bengal. The Company is engaged in sales of fabric as well as trading and manufacturing of garment in domestic markets, and its commercial operations started in the month of February, 2018. The Company also has a “Dyeing and Processing Unit”. It is part of ‘Amrit Group’, the other group company being Amrit Exports Pvt Ltd which holds 81.13% stake in Amrit Crafts Pvt Ltd.

ACPL is managed by its four directors namely, Mr. Anil Buchasia, Mr. Shom Buchasia, Mr. Shivam Buchasia and Mr. Krishna Kumar Ram.

#### **COMPANY FINANCIAL PERFORMANCE**

<b>Particulars</b>	<b>Units</b>	<b>FY18A</b>	<b>FY19A</b>
Total Operating Income	Rs in Crs	3.65	29.50
EBITDA	Rs in Crs	0.88	6.81
PAT	Rs in Crs	-1.50	-1.47
Tangible Net worth	Rs in Crs	8.18	12.64
Total Debt/TNW	Times	4.25	2.85
Current Ratio	Times	0.83	1.32
ISCR	Times	0.98	1.86

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: Nil**

**RATING HISTORY FOR LAST THREE YEARS (including withdrawn and suspended ratings)**

S.No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilities/ Commercial Paper etc.)	Current Rating 8 September 2020			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable																								
		Type (Long Term/Short Term)	Amount Outstanding ( Rs. Crores)	Rating	Date(s) & Rating(S) assigned in 2019		Date(s) & Rating(s) assigned in 2018		Date(s) & Rating(s) assigned in 2017																				
1	Bank Loan Facility	Fund Based-Long Term	32.10	BWR BB/Stable Upgrade	<b>12-July-2019</b> <table border="1"> <tr> <td>FB-LT*</td> <td>34.47</td> <td>BWR BB-/Stable, Reaffirmed,</td> </tr> <tr> <td>NFB-ST**</td> <td>2.00</td> <td>BWR A4, Reaffirmed</td> </tr> <tr> <td><b>Total</b></td> <td><b>36.47</b></td> <td><b>#</b></td> </tr> </table>			FB-LT*	34.47	BWR BB-/Stable, Reaffirmed,	NFB-ST**	2.00	BWR A4, Reaffirmed	<b>Total</b>	<b>36.47</b>	<b>#</b>	<b>23-April-2018</b> <table border="1"> <tr> <td>FB-LT*</td> <td>34.00</td> <td>BWR BB-/Stable, Assigned</td> </tr> <tr> <td>NFB-ST**</td> <td>2.00</td> <td>BWR A4, Assigned</td> </tr> <tr> <td><b>Total</b></td> <td><b>36.00</b></td> <td></td> </tr> </table>			FB-LT*	34.00	BWR BB-/Stable, Assigned	NFB-ST**	2.00	BWR A4, Assigned	<b>Total</b>	<b>36.00</b>		---
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2		Non-Fund Based-Short Term	2.00	BWR A4, Reaffirmed																									
	<b>Total</b>		<b>34.10</b>	(Upgraded / Reaffirmed with reduction in total exposure)																									

\*FB- Fund Based-Long Term

\*\*NFB- Non Fund Based-Short Term

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**ANNEXURE 1-Amrit Crafts Pvt Ltd  
Details of Bank Facilities Rated by BWR**

Bank Facilities with Indian Bank	Type	Tenure	Amount Rated on 12.07.2019 (Rs. in Crs)	Present Amount to be Rated (Rs. in crores)
Term Loan	Fund Based	Long- Term	22.47	20.10
Cash Credit			12.00	12.00
<b>Total Fund Based Limits (A)</b>			<b>34.47</b>	<b>32.10</b>
Bank Guarantee	Non-Fund Based	Short-Term	1.00	1.00
Letter of Credit			1.00	1.00
<b>Total Non Fund Based Limits (B)</b>			<b>2.00</b>	<b>2.00</b>
<b>Total Amount to be Rated )A+B)</b>			<b>36.47</b>	<b>34.10</b>
<b>Total Amount to be rated (FB+ NFB) in words</b>			<b>Rupees Thirty Four Crores and Ten Lakhs Only.</b>	



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