

AMARTEX INDUSTRIES LIMITED

Brickwork Ratings upgrades the rating for the Bank Loan Facilities of ₹22.41 Crores of Amartex Industries Limited

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2019)	Present
Fund Based	19.61	22.41	Long Term	BWR BB- Stable (Assigned)	BWR BB+ Stable (Upgraded)
Non-fund Based	(1.00)	(1.00)	Short Term	BWR A4 (Assigned)	BWR A4+ (Upgraded)
Total	19.61	22.41	INR Twenty Two Crores and Forty One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK : Stable

BWR has upgraded the long term rating at “BWR BB+” with “Stable” outlook and short term rating at BWR A4+ for the bank loan facilities of Amartex Industries Limited. The rating draws strength from the experienced promoters, modest scale of operations, and benefit of backward integration. However, the rating is constrained on account of the threat of Competition from E-Commerce.

The rating outlook has been assigned as "Stable" as BWR believes that Amartex Industries Limited's business risk profile 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 there is improvement in revenues and profit margins. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or liquidity issues.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters:** The promoter of the company Mr. Arun Grover has an extensive experience of over three decades in the textile and retail industry. The established track record of operations with growing efficiency and ability to operate through various economic cycles and changes in the industry is an outcome which is cushioned by experience of the promoters and top management.
- **Modest scale of operations:** The entity showed significant improvement both in terms of top line and Profit after tax in FY 20 (Audited). The topline during the year grew by ~23% to Rs 70.64 crs while the PAT grew by ~ 242% to Rs 7.74 crs. Improvement in capital structure was also seen in Fy 20, with TNW increasing to Rs 32.64 crs from Rs 24.88 crs in FY 19 (Audited). Gearing levels improved in FY 20 (Audited) to 0.49x from 1.09x in FY 19 (Audited) in FY 20 (Audited) ISCR & DSCR were reported at 2.47x and 1.36x respectively. There is significant improvement in the current ratio from 0.82x in FY 19 (Audited) to 1.56x in FY 20 (Audited).
- **Benefit of backward integration:** All the 12 operational stores are multi brand retailers, catering products like retail garments, home decor and FMCG products. Since the entity has end to end processing facilities from textile manufacturing to garments, these retail outlets provide a ready made market place to market this inhouse products.

Credit Challenges

- **Threat of Competition from E-Commerce:** The entity may face competition from E-commerce players in the retail markets. In today's time, the consumer's preferences especially in the current pandemic are unwillingness to step out and prefer home delivery with maximum safety standards provided by the E-commerce players.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company interalia, is able to improve its topline, profit margin or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : Adequate

There are associate entities namely, KVS International Pvt Ltd & Shivk Impex Ltd, but there are no operational linkages.

The entity has no liquid investments, and cash balances in FY20 (Audited) is Rs. 0.18 crs. The Cash Credit Utilization from Mar-20 to Aug-20 stands at 80.32%. Conversion Cycle is at 131 days in FY20 (Audited), due to high inventory holding period. There is a Long term borrowings of Rs 1.86 crs in FY 20 includes secured Term Loan from IDBI bank. The same was paid in the month of August, 2020. The company has a DSCR of 1.36x & ISCR of 2.47x in FY20 (Audited). Current ratio of the company stands at 1.56x in FY20 (Audited).

COMPANY PROFILE

Amartex Industries Limited ('AIL' or 'The Company') was incorporated in 1988 which was initially incorporated under the name of M/S Amar Suiting Manufacturing Company Pvt Ltd which was changed to AIL in 1998. The company is mainly promoted by Mr. Arun Grover. AIL's main line of business involves an end to end process of manufacturing fabric to retail of garments. AIL runs a supermarket chain with 12 stores in 12 cities located in North India, which retail garments, home decor and FMCG products. Q1FY21 sales are reported at Rs 15.39 crs. The company has launched mobile apps on both Android and IOS devices, launched in June 2020 and already 3000 customers have enrolled on the platform.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2020
Result Type		Audited	Audited
Operating Income	₹ Cr	57.06	70.64
EBITDA	₹ Cr	0.43	6.36
PAT	₹ Cr	2.26	7.74
Tangible Net Worth	₹ Cr	24.84	32.62
Total Debt/TNW	Times	1.09	0.49
Current Ratio	Time	0.82	1.56

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	22.41	BWR BB+ Stable (Upgraded)	BWR BB- Stable (Assigned)	NA	NA
Non-fund Based	Short Term	(1.00)	BWR A4+ (Upgraded)	BWR A4 (Assigned)		
Total		22.41	INR Twenty Two Crores and Forty One Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**

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**Amartex Industries Limited
ANNEXURE I**

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
IDBI Bank	CC	19.21	-	19.21
	BG	-	(1.00)	(1.00)
	WCTL	-	3.20	3.20
TOTAL				22.41

INR Twenty Two Crores and Forty One Lakhs Only

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