

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 19.61 Crores of Amartex Industries Limited.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit	19.61	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Sublimit: Overdraft	(2.00)		
Non Fund Based			
Sublimit: Bank Guarantee	(1.00)	Short Term	BWR A4 (BWR A Four)
Total	19.61	INR Nineteen Crores and Sixty One Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of Amartex Industries Limited(AIL) upto FY18, projected financials upto FY20, publicly available information and information/clarifications provided by the company's management.

The rating derives its strength from the experienced promoters, improving operational efficiency and implementation of new operational plans with low geographical concentration risk. However, the rating is constrained by threat and competition from e-commerce and volatility in cotton prices, below average financial risk profile and working capital intensive operations.

Going forward, the ability of the company to improve its scale of operations, profitability, liquidity profile & capital structure by infusion of additional capital and to service its debt obligations in a timely manner will be the key rating sensitivities.

Description of 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 the experience of the promoters and top management.

Improving Operational Efficiency: The company's operations are complemented by vertical integration of operations from snipping of yarn to retail. The company recorded a revenue of Rs. 78.32crs in FY18 and are expected to have a significant improvement of over 40% in FY19. The integration process supports constant supply of raw materials and stable inventory management. The company proposes operating margin to improve in fiscal 2019 due to the implementation of the new franchisee model, technology upgrade to eliminate the risk of inventory hoarding and cost savings from backward integration. Less-than-expected improvement in operating margin could delay the envisaged improvement in debt protection measures, and hence, will remain a key rating sensitivity factor.

Implementation of new operational plans and Low Geographical Concentration Risk:

AIL has repaid major amount of their secured loan term debt to the banks and NBFCs. To improve operational efficiency by consolidating their retail outlets to 14 stores in 14 cities, AIL has opened doors for channel partners for further expansion. The significant presence in the 14 cities of northern India, lower the customer concentration risk.

Credit Risks:

Threat and Competition from E-Commerce and volatility in cotton prices: Yarn segment is susceptible to volatility in cotton and cotton yarn prices, reflected by fluctuations in the operating margin. Cotton and yarn demand are driven by international demand-supply dynamics. Intense competition in the industry constraints the bargaining power. Moreover, the fast growth of e-commerce is changing the buying pattern, AIL is exposed to intense competition from ecommerce.

Below Average Financial Risk Profile: AIL's net worth is moderate at Rs. 22.62crs along with high gearing ratio of 3.25 times in FY18. On account of operating and net losses, debt protection metrics remained muted during FY18.

Working capital intensive operations: AIL has working capital intensive operations indicated by conversion cycle of 183 days in FY18, mainly due to high inventory days. Current Ratio in FY18 is below average at 0.91 times.

Analytical Approach

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



Liquidity Profile:

AIL has no liquid investments and the Cash & Bank balances of Rs. 0.14Cr as on March 31 2018. The long term borrowings stand at Rs. 8.03crs and current portion of long term debt is Rs. 0.52crs. Current ratio was below average at 0.91 times in FY18. The company has not submitted cash flow statement. Average working capital utilization for the seven months period (July 2018 to January 2018) is 87.41%. The company's debt protection metrics are below average with ISCR at -0.83 times and DSCR at 0.67 times as on March 31 2018.

Holding/Subsidiary Company: NA

Rating Outlook: Stable

BWR believes the **Amartex Industries Limited** 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 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.

About the Company

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 supermarket chain with 14 stores in 14 cities located in North India, which retail garments, home decor and FMCG products.

Company Financial Performance

As per the Audited Financials of FY18 the company has reported a revenue of Rs 78.32 crs with a Net Loss of Rs 2.50 crs vis-a-vis Rs 86.78 crs & Net Loss of Rs. 49.57 crs in FY17.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	78.32	86.78
EBITDA	₹ Cr	-3.59	-46.24
PAT	₹ Cr	-2.50	-49.57
Tangible Net worth	₹ Cr	22.62	25.12
Total Debt/Tangible Net worth	Times	3.25	3.36
Current Ratio	Times	0.91	0.93

Rating History for the last three years

S.No	Facility	Current Rating(2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based	Long Term	19.61	BWR BB- (BWR Double B Minus) (Outlook: Stable)	NA	NA	NA
2.	Non Fund Based	Short Term	(1.00)	BWR A4 (BWR A Four)	NA	NA	NA
Total			19.61	₹ Nineteen Crores and Sixty One Lakhs Only			

Status of non-cooperation with previous CRA: Migrated to Crisil D Issuer Not Cooperating on 24th April 2018 due to lack of information.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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