



Rating Rationale

23 Nov 2022

Amitara Overseas Pvt. Ltd. (erstwhile Amitara Overseas Ltd)

Brickwork Ratings revises the analytical approach from Credit Enhancement approach to ‘Standalone’ and downgrades the ratings for the Bank Loan Facilities of Rs.50.41Crores of Amitara Overseas Pvt. Ltd. (erstwhile Amitara Overseas Ltd)(AOPL).

Particulars

Facility	Amount (Rs in Crs)		Tenure	Rating* [@]	
	Previous	Present		Previous (26.08.21)	Present
Fund based	43.90	35.41	Long Term	BWR BBB+ (CE)# Stable Reaffirmed	BWR BBB/Stable Downgraded[^]
Non Fund Based	3.75	15.00	Short Term	BWR A2 (CE)# Reaffirmed	BWR A3+ Downgraded[^]
Total	47.65	50.41	Rupees Fifty Crores and Forty One Lakhs Only		

[^]Revision in the analytical approach from CE to Standalone. (Refer Analytical approach section)

Unsupported Rating of BWR BB+ Stable/A4+ Withdrawn due to change in the analytical approach as above

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

#CE refers to earlier credit enhancement derived from the corporate guarantee of Jindal Worldwide Ltd.(JWL or the Company), [JWL - currently rated BWR AA-/Stable,A1+]

Complete details of Bank facilities is provided in Annexure-I

[@]This rating pertains to an existing assignment received prior to 6 October 2022

Unsupported Rating: Withdrawn

Standalone Ratings: BWR BBB/Stable, BWR A3 +Downgraded[^]

RATING ACTION / OUTLOOK: STABLE

The rating of guarantor (Jindal Worldwide Ltd) was reviewed and reaffirmed at BWR AA-(Stable)/A1+ on 12th August 2022. There exist strong business linkages between the Guarantor and its group company fortified by the existence of Unconditional and Irrevocable corporate Guarantee. The Corporate guarantee issued by Jindal Worldwide however does not fully meet the requirements for credit enhancement under the extant instructions and guidelines issued by RBI. Since the corporate guarantee deed cannot be considered for credit enhancement purposes; the analytical approach has been revised from CE to Standalone rating. The company has been improving its performance at the standalone level as well. The audited results for FY22



and up to date performance have been received, analysed and found to be satisfactory. As the performance is improving and taking into account the change in analytical approach and the fact that in spite of non-availability of credit enhancement, the support and guarantee from Jindal Worldwide shall continue to be there the rating is revised on a standalone basis to BWR BBB /A3+with a stable outlook. BWR believes **Amitara Overseas Pvt. Ltd. (erstwhile Amitara Overseas Ltd)** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

Description of Key Rating Drivers

Credit Strengths:-

- **Extensive experience of promoters and management in the textile industry:** JWL group is promoted and managed by Agrawal family. Dr. Yamunadutt Agarwal is the founder and Chairman of the Board and has more than four decades of experience. Mr. Amit Agrawal the Managing Director; there are two other promoter directors looking after key management functions. Other board members include Mr. Vikram Oza, Director Finance. The flagship company of the group Jindal Worldwide Limited has more than three decades of operational track record in the textile industry. Hence, the extensive experience of the promoters and management has helped the company to maintain long standing relations with its customers and suppliers.
- **Group support:** The company is dependent on JWL for its revenue as 100 percent of the fabric manufactured is sold to JWL. Further, the company also benefits from a track record of funding support from its group company in the form of interest free unsecured loan and/or customer advance etc. to fund the working capital requirement and meet debt obligations of the company in the event of financial stress. Also, the flagship company JWL (BWR AA-(Stable) /A1+) has extended unconditional and irrevocable corporate guarantee against the bank facilities of the company.
- **Significant growth in operating revenue and comfortable liquidity position:** The growth in revenue is supported by recovery in demand for textile products both in the domestic & international market post the pandemic induced disruptions in FY 2021. The company also benefits from a comfortable **liquidity position** marked by availability of adequate net cash accruals to meet its debt repayment obligation over the next two to three years; negative working capital cycle days and comfortable current ratio as on 31st March 2022.

Credit risks:-

- Profitability margin in the weaving business is dependent on the yarn purchase prices where any steep fluctuation in yarn price which is correlated to cotton price, will have a direct impact on the company's margins. While the yarn prices are volatile, realisation on sale of fabric is relatively more stable, exposing the company to adverse movement in prices.
- The company is susceptible to inherent risk associated with a downturn in the denim industry as the grey denim fabric contributes to its entire sales. The denim industry is inherently cyclical in nature and is directly linked to the consumption trends and disposable income levels along with the general economic outlook of the country. The textile industry as a whole



is also highly competitive and fragmented in nature with the presence of a large number of players in both organised and unorganised sectors.

Analytical Approach: Standalone

The rating for the bank loan facility of the company was reaffirmed at BWR BBB+ (CE)/A2 CE with a Stable outlook on 26th August 2021. The credit enhancement “CE” to the rating takes into account the corporate guarantee provided by group company Jindal Worldwide Limited (rated BWR AA-/Stable and BWR A1+ dated 12 August, 2022). The Corporate Guarantee extended by Jindal Worldwide does not fully meet the requirements for CE rating as per extant instructions, and guidelines from RBI. Hence the analytical approach has been revised from CE to Standalone rating. Further, BWR has principally relied upon the standalone audited financials up to FY 2022, publicly available information/clarification provided by the management for arriving at the rating of the fund based and non fund based limits of the company.

RATING SENSITIVITIES

Going forward, the Company’s ability to improve the scale of operations, improve and maintain profitability, along with the debt servicing capability and liquidity, will be key rating sensitivities. The rating is influenced by the performance of the guarantor company inspite of withdrawal of CE rating, and thus the performance of the guarantor company is also one of the key rating sensitivities along with the individual performance.

Positive: The rating may be upgraded if the Company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities.

Negative: The rating may be downgraded if lower-than-expected revenues affect profitability margins, coverage ratios, liquidity and gearing ratios adversely.

Liquidity profile: Adequate

AOPL has reported modest net cash accruals of Rs. 10.81 crores as against the annual debt repayment obligation of Rs. 3.55 crores for FY 2022. The current ratio is healthy at 4.52 times on 31st March 2022. Going forward, the company has debt repayment to the tune of Rs. 23.38 crores over the next three years and the internal accruals are expected to be sufficient to meet these debt repayments. The company does not have any future majorly debt-funded capital expenditure plan over the near to medium term. The letter of credit / bank guarantee facility has been enhanced from Rs. 6.25 crores to Rs. 15.00 crores; however the company has not applied for any enhancement in cash credit limit or new term loan facility. Further, the promoters and group companies have a proven track record of providing financial support to the company to meet any shortfalls in cover debt obligation.

About the Company

AOPL belongs to Jindal Group, which is a well known name in the Textile Industry having Spinning, Weaving, Processing and even stitching facilities at their Narol & Vatva locations. AOPL is engaged in manufacturing and weaving of yarn. Company has installed 26+12 Toyota made Airjet Looms along with an Air Compressor and Humidification Plant which has a



capacity of 40 MMPA. AOPL has set up a Unit in M/s Amitara Green Hi-Tech Textiles Park Pvt. Ltd and installed 4 IDR machined and in its existing facilities it has kept looms machines.

GUARANTOR PROFILE:

Jindal Worldwide Limited is the flagship company of Ahmedabad-based Jindal Group; it is promoted by Dr. Yamunadutt Agrawal, and it was incorporated in 1986. It is a BSE- and NSE-listed company. JWL’s product profile consists of denim fabric, yarn dyed shirting and bottom width, as well as export-centric home furnishing items. JWL has an installed capacity for denim manufacturing of 120 million metres p.a., bottom weight fabrics: 25 million metres, premium shirting: 25 million metres, dyed yarn: 1200 metric tonnes and Bedsheets: 10000 pieces/day. The Company also has a spinning capacity of 45 tonnes per day. JWL has a captive power plant of 4.5 MW. As earlier indicated, JWL also benefits from the additional weaving capacity created in their Textile Park.

KEY FINANCIAL INDICATORS - (AOPL)

Key Financial Indicators	Unit	FY21 Audited	FY22 Audited
Total Operating Income	(in Rs Cr)	350.15	409.42
EBITDA	(in Rs Cr)	13.67	15.52
PAT	(in Rs Cr)	1.63	2.03
Tangible Net Worth	(in Rs Cr)	2.00	52.71
Total debt/ TNW	Times	1.75	3.20
Current ratio	Times	3.18	4.52

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

Rating History for the last three years [including withdrawal/suspended]

Facilities	Current Rating			
	Tenure	Amt (Rs Cr)	Rating	
Fund Based	Long Term	35.41	BWR BBB/Stable Downgraded ^	Chronology of Rating History for previous three years (Rating Assigned & date, rating withdrawn/ suspended if applicable)
Non Fund Based	Short Term	15	BWR A3+ Downgraded	

				^									
26 Aug,2021				27 May,2020			23 Dec 2019			25 June 2018			
	Tenure	Amt (Rs Cr)	Rating	Tenure	Amt (Rs Cr)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating	
Fund Based	Long Term	43.90	BWR BBB+ (CE) (Stable) Reaffirmed	Long Term	39.98	BWR BBB+ (CE) (Stable) Reaffirmed	Long Term	40.95	BWR BBB+ (CE) (Stable) Reaffirmed	Long Term	57.61	BWR BBB+ (SO) (Stable) Upgraded	
Non Fund Based	Short Term	3.75	BWR A2 (CE) Reaffirmed	Short Term	3.75	BWR A2 (CE) Reaffirmed	Short Term	3.75	BWR A2 (CE) Reaffirmed	Short Term	3.75	BWR A2 (SO) Upgraded	
1 July, 2021				2020			26 Sep 2019			2018			
Fund Based	Rating Advisory released			-			Ratings moved to RNR			-			
Non Fund Based				-						-			
2021				2020			14 Sep, 2019			2018			
Fund Based	-			-			Long Term	57.61	BWR BBB+ (CE) (Stable) Reaffirmed (Press release)	-			
Non Fund Based	-			-			Short Term	3.75	BWR A2 (CE) Reaffirmed (Press release)	-			

Standalone rating: BWR BB+ (Stable) Reaffirmed

COMPLEXITY LEVELS OF THE INSTRUMENTS



Bank Loan Rating: Simple

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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ANNEXURE I

[Amitara Overseas Pvt. Ltd.]

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
	Karur Vysya Bank	OCC	10.00	-	10.00
		Term loan	19.07	-	19.07
		WC TL - GECL	6.34	-	6.34
		ILC/FLC/BG	-	3.75	15
		TOTAL			50.41
	Total Rupees Fifty Crores and forty one lakhs only.				



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