Rating Rationale

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

26 Aug 2021

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 47.65 Crores of Amitara Overseas Pvt. Ltd. (erstwhile Amitara Overseas Ltd)(AOPL).

Particulars

Facility	Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous (27/5/2020)	Present
Fund based	39.98	43.90	Long Term	BWR BBB+ (CE)# Stable	BWR BBB+ (CE)# Stable Reaffirmed
Non Fund Based	3.75	3.75	Short Term	BWR A2 (CE)#	BWR A2 (CE)# Reaffirmed
Total	43.73	47.65	Rupees Forty Seven Crores Sixty Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
#CE refers to credit enhancement derived from the corporate guarantee of Jindal Worldwide Ltd.(JWL or the Company), [JWL - currently rated BWR A+/A1+ (Stable)]; hence, operating and financial performance of JWL and its continued support, are key rating sensitivities.
Complete details of Bank facilities is provided in Annexure-I

Supported Ratings: Reaffirmed
Standalone Ratings: Reaffirmed at BWR BB+ (Stable)

RATING ACTION / OUTLOOK:
The CE rating provided to AOPL is on account of the Corporate guarantee provided by Jindal Worldwide Ltd on account of the business linkages with the flagship Company rated at BWR A+ (Stable)/A1+. The ratings derive support from experience of promoters/management in the textile industry, corporate guarantee provided by JWL, the Jindal Group's year-on-year growth in revenue and effective increase in capacity due to work-contracts with units set up in a textile park approved by the Government of Gujarat along with adequate financial position of JWL. The ratings of AOPL, however, are constrained by credit risk faced by AOPL due to 100% of revenues derived from JWL, steady yet slow recovery of the textile sector.
BWR expects that AOPL's business risk profile will be maintained over the medium term.

The rating is determined by the performance of the guarantor company, and so, the drivers enumerated below consider this major criterion.

Description of Key Rating Drivers

- **Credit Strengths:**

Experience of promoters/management in the textile industry: JWL Group is promoted and managed by Agrawal family. Dr. Yamunadutt Agrawal 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 Company is backed by decades of experience gained by the management in this field.

● **Corporate Guarantee from Jindal Worldwide Limited (JWL):** The bank facilities are backed by an unconditional and irrevocable corporate guarantee of Jindal Worldwide Limited (currently rated BWR A+/A1+, Stable).

● **JWL's year on year growth in revenue:** Despite sluggish market conditions and intense competition in the textile industry, JWL has efficiently managed to increase its turnover on a year on year basis. Company has clocked a revenue of Rs 1699.62 Cr in FY21 on a consolidated basis and has registered a revenue of Rs 524.43 Cr in Q! FY21 on a consolidated level. The improvement in the performance of the flagship company will have a direct impact on the financial profile of the group companies including AOPL. Till July 2021, AOPL registered a revenue of Rs 88.07 Cr.

● **Adequate Financial & Liquidity Profile of JWL and AOPL:** The flagship Company's performance has picked up pace post COVID-19. The Company's gearing is adequate with the total debt/ TNW standing at 0.95x in FY21 and the debt protection metrics are moderate with the ISCR and DSCR standing at 2.36x and 1.59x respectively in FY21. Average liquidity with the current ratio standing at 1.66x. Also, AOPL has a moderate financial risk profile with the total debt/ TNW standing at 0.74x in FY20 and the ISCR and DSCR standing at 4.02x and 2.19x respectively along with a current ratio of 1.15x in FY20.

- **Credit Risks:**

Linkage with JWL Group: AOPL's operations are dependent on Jindal Worldwide Ltd or other group companies. AOPL sells its products to JWL or other group companies. Hence, the business and credit risk profile of JWL Group of companies will impact the credit risk of AOPL.

● **Inherent risks associated with industry and competition from presence of established players:** Textiles industry has inherent risk considering over production capacity being created in the industry by peer groups which may lead to supply demand mismatches, increased competition, and lowering of profit margins.

- **Volatility in raw material prices:** The Company's margins remain exposed to fluctuations in the prices of the raw material, cotton. Cotton prices could go up if the export market picks up, thus putting pressure on margins. The variation in input costs cannot always be passed on immediately, but with a lag.

Rating Outlook: ***Stable***

BWR believes the **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.

Analytical Approach

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

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 determined by the performance of the guarantor company, 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 Position: Adequate

The Company has a current ratio standing at 1.15x in FY20 audited figures and the same has increased to 1.38x in FY21 provisionals. The Company has cash accruals amounting to Rs 12.29 Cr in FY21 provisionals which are enough to cover the long term debt repayment obligations of the Company amounting to Rs 3.55 Cr. They also have an unencumbered cash balance of Rs 2.62 Crs. The Company has also availed GECL loans amounting to Rs 7.69 Cr to add to the liquidity cushion.

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 (JWL) 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 meters 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	FY19 Audited	FY20 Audited
Total Operating Income	(in Rs Cr)	273.09	588.20
EBITDA	(in Rs Cr)	19.92	4.76
PAT	(in Rs Cr)	1.63	0.93
Tangible Net Worth	(in Rs Cr)	51.78	52.71
Total debt/ TNW	Times	1.09	0.74
Current ratio	Times	1.11	1.15

KEY FINANCIAL INDICATORS - GUARANTOR (CONSOLIDATED)

Key Financial Indicators	Unit	FY20 Audited	FY21 Audited
Total Operating Income	(in Rs Cr)	2198.95	1699.62
EBITDA	(in Rs Cr)	139.04	116.34
PAT	(in Rs Cr)	28.48	44.21
Tangible Net Worth	(in Rs Cr)	375.65	419.86
Total debt/ TNW	Times	1.04	0.95
Current ratio	Times	1.40	1.66

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			Chronology of Rating History for previous three years (Rating Assigned & date, rating withdrawn/ suspended if applicable)								
	25 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	26.21	-	26.21
		WC TL - GECL	7.69	-	7.69
		ILC/FLC/BG	-	3.75	3.75
		TOTAL			47.65
	Total Rupees Forty Seven Crores and Sixty Five Lakhs only.				

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