



RATING RATIONALE

27 May 2020

Amitara Overseas Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.43.73 Crs. of Amitara Overseas Ltd (AOL or “the Company”)

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2019)	Present
Fund based	40.95	39.98	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	44.70	43.73	Rupees Forty Three Crores and Seventy Three Lakhs Only		

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

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

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.

Standalone Ratings:Assigned at BWR BB+ (Stable)

Supported Ratings: Reaffirmed

RATING ACTION / OUTLOOK

The rating reflects AOL being promoted by Jindal Worldwide Ltd; the flagship Company of Jindal Group, 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 AOL, however, are constrained by credit risk faced by AOL due to 100% linkage with JWL, decline in profitability of JWL due to high raw material prices which cannot be fully passed on, adverse and sluggish conditions in the textile industry as well as increasing capacity additions being created by the Denim manufacturing industry in the State of Gujarat, which could affect margins.

The rating of Jindal Worldwide Ltd (JWL or the Company) has been downgraded/reaffirmed to BWR A+ (stable)/ BWR A1+ on account of the bleak outlook for the textile sector, non-achievement of projected revenues for FY20 and a likely dip in profit margins. The downward revision also factors in the economic



scenario on account of the Covid-19 pandemic, which leads Brickwork Ratings (BWR) to believe that the Company may, like all others, have a very difficult H1FY21.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR expects that AOL'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.

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.

- **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) along with the T-7 structure, whereby if the funding does not happen 7 days before any payment due date, the lender can seek payment from the guarantor.

- **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 achieved the projected turnover with Y-O-Y growth of 28.62 % in Total Operating income in FY19. Although, the flagship company has not been able to achieve the projected revenues for FY20 as the COVID-19 induced lockdown impacted the company's revenues.

- **Adequate Financial Profile of JWL:** The Company's revenue showed consistent growth until FY19, with the total operating income at Rs 2212 Cr in FY19. The tangible net worth of the Company was at Rs 348.91 Cr on a consolidated basis. The gearing, at 1.85, as well as debt protection metrics were adequate, with the ISCR and DSCR at 2.70x and 1.59x, respectively in FY19. The term loan outstanding amount of the Company also reduced to ~Rs 112.00 Cr. The net cash accruals to total debt ratio stood at 0.19x on a consolidated level in FY19.

Credit Risks

Linkage with JWL Group: AOL's operations are dependent on Jindal Worldwide Ltd or other group companies. AOL 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 AOL.

- **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.



- **Fall in profitability:** JWL has witnessed a significant decline in profit margins in FY19, mainly due to weakening demand and high raw material prices, and the dip in the profit margins is likely to continue in FY20. The pressure is primarily originating from high cotton prices in the domestic market which is expected to worsen due to probable increase in import of cotton as a result of weather infeasibility.

- **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.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone and consolidated performance of Amitara Overseas Ltd. This is a limited review majorly based on the revision in the rating of the flagship company and BWR will undertake a detailed review on receipt of the complete financial information for FY20 and projections for further years. 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 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.

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

Liquidity position of AOL is adequate reflected by average debt protection metrics with an ISCR at 2.98 times and DSCR at 2.08 times in FY19. Net cash accruals/total debt is sufficient at 0.37 times as on 31st March 2019. Further, JWL's liquidity also remained adequate during the year reflected by sufficient cash accrual of Rs 67.01 Crs against current portion of debt obligations of Rs 47.69 Crs in FY19.

GUARANTOR PROFILE

Jindal Worldwide Limited (JWL) is a 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 160 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.

COMPANY PROFILE:

AOL belongs to Jindal Group, which is a well known name in Textile Industry having Spinning, Weaving, Processing and even stitching facilities at their Narol & Vatva locations. AOL is engaged in manufacturing and weaving of yarn. Company has installed 26+12 Toyota make Airjet Looms along with Air Compressor and Humidification Plant which has capacity of 40 MMPA. AOL 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.

KEY FINANCIAL INDICATORS - (AOL)

Key Financial Indicators	Unit	FY19 Audited	FY18 Audited
Total Operating Income	(in ₹ Cr)	273.09	155.14
EBITDA	(in ₹ Cr)	19.92	14.89
PAT	(in ₹ Cr)	1.63	0.45
Tangible Net Worth	(in ₹ Cr)	51.78	49.77
Total debt/ TNW	Times	1.09	0.98
Current ratio	Times	1.11	1.21

KEY FINANCIAL INDICATORS - GUARANTOR (CONSOLIDATED)

Key Financial Indicators	Unit	FY18 Audited	FY19 Audited
Total Operating Income	(in ₹ Cr)	1649.85	2211.98
EBITDA	(in ₹ Cr)	184.34	199.29
PAT	(in ₹ Cr)	58.69	30.68
Tangible Net Worth	(in ₹ Cr)	325.99	348.91
Total debt/ TNW	Times	1.73	1.85
Current ratio	Times	1.33	1.22

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Facilities	Current Rating			Chronology of Rating History for previous three years (Rating Assigned & date, rating withdrawn/ suspended if applicable)								
	May,2020			23 Dec 2019			25 June 2018			12 April 2017		
	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating
Fund Based	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	Long Term	185.68	BWR BBB- (SO) (Stable) Reaffirmed
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 (SO) Upgraded	Short Term	3.75	BWR A3 (SO) Reaffirmed
	2020			26 Sep 2019			2018			2017		
Fund Based	-			Ratings moved to RNR			-			-		
Non Fund Based	-						-			-		
	2020			14 Sep, 2019			2018			2017		
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)						

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

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

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ANNEXURE I - Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	The Karur Vysya Bank	Term Loan	29.98	-	29.98
		OCC	10.00	-	10.00
		LC/BG	-	3.75	3.75
TOTAL					43.73



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