

Rating Rationale

Brickwork Ratings assigns Provisional ‘BWR BBB-’ (SO) (Outlook: Stable) / ‘BWR A3’ (SO) for Amitara Overseas Ltd’s Bank Loan Facilities aggregating ₹190.17 Cr

Brickwork Ratings has assigned the following Provisional **Ratings¹** for existing & proposed Bank Loan facilities of Amitara Overseas Ltd (**AOL or ‘the Company’**):

Facility	Limits (₹Cr)	Tenure	Present Rating ^{^**}
Fund Based	186.42	Long Term	Provisional BWR BBB- (SO) [Pronounced BWR Triple B Minus (Structured Obligation)] Outlook: Stable
Cash Credit	10.00		
Term Loans*	176.42		
Non-Fund Based	3.75	Short Term	Provisional BWR A3 (SO) [Pronounced BWR A Three (Structured Obligation)]
Bank Guarantee / Letter of Credit	3.75		
Total	190.17	(INR One Hundred and Ninety Crores and Seventeen Lakhs only)	

* Term Loan includes both existing TL o/s as of Sept’15 & proposed TL of Rs.175.06 crs

** Provisional Rating is approved considering pending financial closure and execution of unconditional & irrevocable corporate guarantee document from Jindal Worldwide Ltd. The ratings will be confirmed on these requirements being complied with.

BWR has principally relied upon the Techno Economic Viability Study Report prepared for the company’s proposed expansion project, audited financials upto FY15, un-audited financials upto Sept’15, projected financials, and sanction letters from some of the banks and information / clarifications provided by the company’s management from time to time. BWR has assumed standard terms and conditions which banks normally stipulate for such project loans, and disbursement linked to progress of execution. The ‘SO’ suffix indicates that BWR has factored credit enhancement based on unconditional & irrevocable corporate guarantee of Jindal Worldwide Ltd, a Group company to be executed.

The rating factors, *inter alia*, well-known Jindal Worldwide Ltd (JWL) group in Ahmedabad, vast business experience of the promoters in textile business & operational linkages with Group Company, locational advantage of expansion plan as it is within the boundary of manufacturing facility of JWL group, and abundant availability of cotton in the hinterland. However, the rating is constrained by inherent risks associated with the project execution, including achievement of financial closure, promoters’ ability to bring in the equity portion in a timely manner and implementation without time and cost delays. Operating and financial performance of Group Company JWL and its continued support are the key rating sensitivities.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background

“Amitara Overseas Ltd” (AOL) incorporated on 1st August 1996 is promoted by JWL, the flagship company of Jindal Group based out of Ahmedabad, and engaged in manufacturing of cotton based grey fabrics mainly doing job work for JWL. Company has current installed capacity of 42 rapier looms as of FY 2015 with proposed expansion of 246 rapier looms in future.

Proposed Expansion Project Details

AOL plans to expand the weaving capacity on vacant parcel of land (Area: 28,181 sq mts) belonging to one of the key promoters, Mr.Amit Agarwal, which is within the same boundary of existing unit by installing machines like Toyota Looms, Indigo Dyeing Range & Finishing Machines. Existing Yarn is used for Suiting, Shirts, Bed sheets etc. However after installation of said machines, the end product would be used for value added products like denim fabric.

As per Techno Economic Viability Report submitted by the company, Total Cost of the project stands at Rs.244.24 crs with bank loan of Rs.175.06 crs and balance Rs.69.18 crs promoters fund by way of equity & USL. Debt Equity works out to 2.53 : 1. Financial closure is currently achieved upto 57%. Originally project’s COD was envisaged for July’16 which is now postponed to Apr’17 due to delay in financial closure. Promoters have already infused ~50% of their contribution and balance would be infused as and when the expansion project progresses. However project execution is estimated to start from Apr’16.

Ownership & Management

AOL is promoted by Mr.Yamunadutt Agrawal & Mr.Amit Y. Agarwal. However company has appointed family members Mr. Umashankar P Agarwal, Mr. Satish O Khetan & Mr.Purshottamdas B Chauhan as directors. The company has its manufacturing unit located at Chikuwadi, Sajipur, Ahmedabad.

Guarantor: Jindal Worldwide Ltd (JWL group)

JWL promoted by Mr.Yamunadutt Agrawal, was incorporated in 1986 located at Ahmedabad is engaged in manufacturing of Denim fabric, Yarn dyeing and Printing of Home Textile/Furnishing products. JWL has been engaged in expansion of Denim Manufacturing capacity and spinning capacity over a period of last 2 years which has been completed in May 2015. JWL held 15.20% equity stake in AOL as on March 31, 2015.

JWL has reported gross revenues of ₹ 837.25 Crores and net profit of ₹ 26.64 Crores with Net worth at ₹ 172.51 Crores for FY15. JWL currently enjoys rating of BWR A- (Stable) / BWR A2+.

Financial Performance:

AOL is in the expansion mode; however as per the audited financials for FY15, company has reported gross revenues of ₹ 68.28 Crores and net profit of ₹ 1.11 Crores. The Net worth of the Company stood at ₹ 33.09 Crores.

Rating Outlook:

Going forward, the company's ability to achieve financial closure early, complete the project implementation effectively without any further cost and time over-run, commencement of operations and achievement of the projected level of revenues as per revised datelines shared with BWR will be the key rating sensitivities.

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