

Rating Rationale

Amitara Overseas Limited

25 June 2018

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 61.36 Crores of Amitara Overseas Limited (AOL).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr, 2017)	Present
Fund Based	185.68	57.61	Long Term	BWR BBB- (SO) (Pronounced as BWR Triple B Minus) Outlook:Stable (Structured Obligation)	BWR BBB+ (SO) (Pronounced as BWR Triple B Plus) Outlook:Stable (Structured Obligation)
Non Fund Based	3.75	3.75	Short Term	BWR A3 (SO) (Pronounced as BWR A Three) (Structured Obligation)	BWR A2 (SO) (Pronounced as BWR A Two) (Structured Obligation)
Total	189.43	61.36	INR Sixty One Crores and Thirty Six Lakhs Only/-		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial up to FY17, provisional financials for FY18, projected financials and publicly available information/clarifications provided by the company's management.

The rating factors, *inter alia*, experience of the promoters in textile business, operational linkages with the Jindal Worldwide Group, and locational advantages. However, the rating is constrained by inherent risks associated with textile industry and competition from presence of established players.

SO rating is assigned due to credit enhancement derived from the corporate guarantee of Jindal Worldwide Ltd., [JWL - currently rated BWR A+ (Stable)]; hence, operating and financial performance of JWL and its continued support, are key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Business Experience of promoters: AOL is promoted and managed by Dr. Yamunadutt Agrawal, who has more than four decades of experience. He is the Managing Director of Jindal Worldwide Ltd.. Mr. Harsh Jitendra Agrawal, Mr. Umashankar P Agrawal, and Mr. Satish O Khetan are the directors having rich experience in the business, being associated with JWL.



Corporate Guarantee from Jindal Worldwide Limited (JWL): The bank facilities is backed by unconditional and irrevocable corporate guarantee of Jindal Worldwide Limited (currently rated BWR A+). Company has also provided letter with T-7 days structure, whereby if the funding does not happen 7 days before any payment due date, the lender can seek payment from the guarantor.

- **Credit Risks:**

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

Linkage with JWL Group: AOL is doing 100 % job work for Jindal Worldwide Ltd. Hence, the business and credit risk profile of JWL group of companies will impact the credit risk of AOL.

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). This is a Structured Obligation rating, based on the Corporate Guarantee of Jindal Worldwide Ltd.

Rating Outlook: Stable

BWR believes the **Amitara Overseas 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

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 44 Toyota looms and 4 Indigo Dyeing Range (IDR) machines as of FY 2018.

Project Details

Company has done limited expansion compared to the initial project details, because, though the banks sanctioned the loans, there was a delay in disbursement. Hence, management has decided to go ahead with the limited expansion with lower Cost of Project and Means of Finance. The COD is rescheduled for July 2018 from Sep 2017 due to changes in expansion plan and delays in bank disbursement. However, the company has not incurred any cost overrun considering reduction in COP and MOF. Total Cost of the project stands at Rs.68.00 crs with debt of Rs.48.50 crs and balance Rs. 19.50 crs brought in by the promoters by way of equity. Promoters have already infused 100% of their contribution.



Company Financial Performance

AOL has during FY17, reported total operating income of ₹ 83.47 Crores and net profit of ₹ 0.67 Crores against ₹ 69.07 Crores and ₹ 0.65 Crores during FY 16. The Net worth of the Company stood at ₹ 49.35 Crores during FY 17. As on 31 March 2018 provisional basis, company has informed to have achieved total operating income of Rs 155.64 Crs

Guarantor: Jindal Worldwide Ltd (JWL group)

JWL promoted by Mr.Yamunadutt Agrawal, was incorporated in 1986 and located at Ahmedabad; it is engaged in manufacturing of Denim fabric, Yarn dyeing and Printing of Home Textile/Furnishing products.

JWL has reported total operating income of ₹ 1649.85 Crores and net profit of ₹ 58.68 Crores with Net worth at ₹ 325.99 Crores for FY18. JWL currently enjoys rating of BWR A+ (Stable) / BWR A1. Please refer to the link <https://www.brickworkratings.com/PressRelease.aspx> for Brickwork's Rating Rationale of JWL dated 20 July 2017.

Key Financial Indicators of Amitara Overseas Limited

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Rs In Crs	83.47	69.07
EBITDA	Rs In Crs	7.45	3.95
PAT	Rs In Crs	0.67	0.65
Tangible Net worth	Rs In Crs	49.35	48.73
Total Debt/Tangible Net worth	Times	1.18	0.62
Current Ratio	Times	2.34	3.11

Rating History for the last three years

S. N	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	12 Apr 2017	22 Mar 2016	2015
1	Fund Based	Long Term	57.61	BWR BBB+ (SO) (Stable)	BWR BBB- (SO) (Stable)	BWR BBB- (SO) (Stable) (Provisional)	-
2	Non Fund Based	Short Term	3.75	BWR A2 (SO)	BWR A3 (SO)	BWR A3 (SO) (Provisional)	-
	Total		61.36	₹ Sixty One Crores and Thirty Six Lakhs Only/-			



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.