

Rating Rationale

AMRIT EXPORTS PVT LTD

Brickwork Ratings reaffirms the ratings for the long term bank loan facilities of Amrit Exports Pvt Ltd (AEPL or the Company), along with revision in outlook to 'Stable' from 'Positive', and also reaffirms the rating for their short term bank loan facilities, for a reduced aggregate amount of Rs. 48.81 Crs.

Particulars:

Facility@	Amount (₹ Crs)		Tenure	Ratings*	
	Previous	Present		Previous (Jul, 2019)^	Present
Fund based: Term Loan	7.85	5.81	Long Term	BWR BB (Outlook: Positive)	BWR BB, Reaffirmed, (Outlook: Stable) (Revision in Outlook from Positive)
Fund based: Packing Credit Limit / Packing in Foreign Currency Limit	21.75	21.75	Short Term	BWR A4	BWR A4, Reaffirmed
Fund based: Foreign Bills Purchased/ Foreign Bills Negotiation	16.00	16.00			
Fund based: Overdraft against Export Receivables	1.50	1.50			
Non Fund Based: Bank Guarantee	0.75	0.75			
Non Fund Based: Letter of Credit	3.00	3.00			
Total	50.85	48.81	(INR Fifty Crores Eighty Five Lakhs Only)		

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

@Complete details of Bank facilities are provided in Annexure-I

^ Ratings moved to Not Reviewed Advisory on 13 July 2020.



RATING ACTION/OUTLOOK

BWR has essentially relied upon the Audited financials of AEPL for FY19, Provisional financials for FY20 and projections for FY21 & FY22, other information as available in the public domain, as well as information / clarifications provided by the company and its bankers, to arrive at the present ratings.

Based on an annual review, BWR has reaffirmed the rating for the long term bank loan facilities of Rs.5.81 Crs (Reduced from Rs.7.85 Crs) of AEPL at **BWR BB, with revision in outlook to 'Stable'** from 'Positive', and has also reaffirmed the rating for its short term bank loan facilities of Rs.43.00 crs at **BWR A4** (aggregate rated amount reduced to Rs.48.81 Crs from Rs.50.85 Crs.).

The outlook has been revised to **'Stable'** from 'Positive' as BWR believes that the persisting worldwide impact of the pandemic may result in a slowdown in the export market - hampering the growth of the company in the near term.

The Rating reaffirmation draws strength from the promoters' extensive experience in the same line of business for close to three decades, as well as its presence in the export market with trade links to different European countries and the US markets . The rating also draws strength from improvement in its profitability on account of prudent change in the product mix between different categories of garments, as well as the comfortable credit metrics which have remained stable over some time.

The ratings are however constrained by the dip in revenue during FY20 on account of delayed realisations arising out of delayed shipments due to the pandemic and nationwide lockdown, and the prevailing uncertainty in export markets, going forward. The ratings also factor in the stretched liquidity position of the company, its high customer and supplier concentration risks, as well as the risk associated with sourcing of raw materials, and forex risk.

Going forward, the ability of the company to improve revenue and liquidity, maintain profitability, and improve its credit metrics and net cash cycle, would be the key rating sensitivities.

KEY RATING DRIVERS

Credit Strengths:

Strong promoter experience: AEPL is managed by three Directors namely, Mr. Sohm Buchasia, Mr. Shivam Buchasia & Mr. Anil Buchasia who are professionally qualified and have



over two decades of experience in international trade in workwear and safety wear.

Strong Clientele: AEPL has been exporting its products to different European countries & Government Departments including Swiss Army (Armasuisse i.e. Department of Civil & Military Defense, Switzerland), Swiss Military (AMZ) etc. The company has been executing orders for these clients for close to 5 years. Recently it has made significant inroads into the US market also.

Improvement in profitability on account of change in product mix: The Company's increased focus on knitted garments (which have a better margin) from woven garments, has helped in increasing its profitability during FY20, and is expected to yield better results going forward. The proportion of revenues from knitted garments has increased to 50% in FY20 Provisional (FY19: 42%).

The EBITDA Margin of the company has improved to 12.97% in FY20 from 8.80% in FY19.

Comfortable Credit Metrics: The credit metrics of the company stood comfortable as reflected by the ISCR of 1.96 times as per FY20 Provisional, which increased from 1.57 times in FY19. Improvement in ISCR was on account of improvement in EBITDA generation of the company. The Tangible Net Worth (TNW) of the company increased to Rs.23.26 Crs as per FY20 Provisional, from Rs.19.87 Crs in FY19. This was on account of plough back of profit and fresh equity capital infusion of Rs.2.59 Crs. Improvement in TNW helped in improvement in other debt protection metrics like D/E Ratio to 1.61 times as per FY20 Provisional, from 1.78 times in FY19, and Total Outside Liabilities to Tangible Net Worth at 1.76 times in FY20 Provisional from 2.03 times in FY19. With no major debt led capex in the near term, D/E ratio and TOL/TNW are expected to improve in FY21.

Credit Weaknesses:

Decline in revenue during FY20: AEPL's scale of operations continued to be modest - as reflected by its total operating income of Rs.45.02 Crs as per FY20 Provisional, which decreased by approximately 19.56% during FY20 from Rs.55.97 Crs in FY19. Decrease in total operating income was on account of disruption in shipment during March end 2020 due to worldwide pandemic and nationwide lockdown, for which a substantial portion of orders could not be shipped and realised. As on date, the company has an order book of Rs.21 Crs which needs to be delivered by September 2020.

Uncertainty arising out of the current situation: Since the company deals in goods which are mostly not essential commodities but rather discretionary in nature, the impact of the pandemic is likely to continue for some time. The situation is likely to be exacerbated by the uncertainties in international trade at this point.



High customer & supplier concentration: The customer concentration of the company is high as top five customers contributed 71% of the total revenue and top five suppliers contributed 70% of the total purchases during FY20. Hence, any change in Government policy affecting its customers or suppliers, any dip in demand from its customers, or any disruption in procurement, may affect the sales and sourcing process of the company.

Raw material sourcing and forex risk: AEPL sources a large part of its raw materials from abroad. The inability of the Company to access alternative sources of raw material in case of any policy changes in the international market may adversely impact the company's business cycle. The company's profitability margins are also susceptible to foreign exchange rate fluctuations and need to be adequately covered through prudent hedging practices.

High Net Cash Cycle: Net cash cycle of the company deteriorated to 333 days during FY20 provisional from 249 days in FY19, which was already high. This was on account of increase in inventory to Rs.27.88 Crs in FY20 against Rs.23.36 Crs in FY19. Increase in inventory holding was due to delay in shipping on account of the pandemic and nationwide lockdown.

ANALYTICAL APPROACH

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Increase in revenues from present level, along with maintenance of the company's EBITDA margin leading to improvement in credit metrics and improvement in net cash cycle, may lead to positive rating action.

Negative: Further deterioration in revenue and profitability leading to deterioration in credit metrics, or deterioration of the liquidity position of the business, may lead to negative rating action.

LIQUIDITY INDICATORS: Stretched

Liquidity position of the company stands stretched on account of close to full utilisation of working capital limits on a regular basis with a couple of instances of over drawings, along with



an average utilisation level of 97.47% of its cash credit accounts during the last six months ended June 2020. The net cash cycle of the company also stood high at around 333 days as per FY20 Provisional, on account of a high inventory holding period of 271 days which increased from 213 days in FY19. The company as of now does not have any major debt led capex during FY21 and has a repayment obligation of Rs.1.50 Crs in FY21. The same is expected to be repaid from EBITDA generation of the company.

ABOUT THE COMPANY

Incorporated in 1996, Amrit Exports Pvt Ltd, is the flagship Company of the Amrit Group. It is a manufacturer and exporter of industrial garments & safety wear. The Company's office is located in Salt Lake, Kolkata-91.

AEPL is managed by three Directors namely, Mr. Anil Buchasia, Mr. Sohm Buchasia, and Mr. Shivam Buchasia who are professionally qualified and have over two decades of experience in international trade in workwear and safety wear.

COMPANY FINANCIAL PERFORMANCE

Particulars	Units	FY18A	FY19A
Total Operating Income	Rs in Crs	60.22	55.97
EBITDA	Rs in Crs	5.34	4.93
PAT	Rs in Crs	0.85	0.54
Tangible Net worth	Rs in Crs	18.38	19.87
Total Debt/TNW	Times	1.91	1.78
Current Ratio	Times	1.24	1.30
ISCR	Times	1.49	1.57

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:
 CRISIL B+/Stable/CRISIL A4 (ISSUER NOT COOPERATING) as on 17 September 2019.

RATING HISTORY FOR LAST THREE YEARS (including withdrawn and suspended ratings)

S.No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilities/ Commercial Paper etc.)	Current Rating 31 July 2020			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable																															
		Type (Long Term/Short Term)	Amount Outstanding (Rs. Crores)	Rating	Date(s) & Rating(S) assigned in 2019		Date(s) & Rating(s) assigned in 2018		Dates(s) & Rating(s) assigned in 2017																											
1	Bank Loan Facility	Fund Based-Long Term	5.81	BWR BB, Reaffirmed, with revision in Outlook to: Stable,	11-July-2019 <table border="1"> <tr> <td>FB-L T*</td> <td>7.85</td> <td>BWR BB, Reaffirmed, Outlook: Positive</td> </tr> <tr> <td>FB-ST*</td> <td>39.25</td> <td>BWR A4, Reaffirmed</td> </tr> <tr> <td>NF-B-ST**</td> <td>3.75</td> <td>BWR A4, Reaffirmed</td> </tr> <tr> <td>Total #</td> <td>50.85</td> <td></td> </tr> </table> <p><i>#Reaffirmed with increase in total exposure along with change in outlook to positive</i></p>			FB-L T*	7.85	BWR BB, Reaffirmed, Outlook: Positive	FB-ST*	39.25	BWR A4, Reaffirmed	NF-B-ST**	3.75	BWR A4, Reaffirmed	Total #	50.85		12-July-2018 <table border="1"> <tr> <td>FB-L T*</td> <td>3.67</td> <td>BWR BB, Assigned, Outlook: Stable</td> </tr> <tr> <td>FB-S T*</td> <td>33.25</td> <td>BWR A4, Assigned</td> </tr> <tr> <td>NFB-ST*</td> <td>3.75</td> <td>BWR A4, Assigned</td> </tr> <tr> <td>Total</td> <td>40.67</td> <td></td> </tr> </table>			FB-L T*	3.67	BWR BB, Assigned, Outlook: Stable	FB-S T*	33.25	BWR A4, Assigned	NFB-ST*	3.75	BWR A4, Assigned	Total	40.67		---	
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2	Fund Based-Short Term	39.25	BWR A4, Reaffirmed			
3	Non-Fund Based-Short Term	3.75	BWR A4, Reaffirmed			
	Total	48.81	(Reaffirmed with revision in outlook and reduction in total exposure)			

*FB- Fund Based-Long Term

**NFB- Non Fund Based-Short Term

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

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**ANNEXURE 1-Amrit Exports Pvt Ltd
Details of Bank Facilities Rated by BWR**

Bank Facility	Type	Tenure	Amount Rated on 11.07.2019 (Rs. in Crs)	Present Amount to be Rated (Rs. in crores)
Term Loan	Fund Based	Long Term	7.85	5.81
Packing Credit Limit		Short Term	21.75	21.75
PCFC (Sublimit of PCL)		(21.75)	(21.75)	
Foreign Bills Purchased/Foreign Bills Negotiation		16.00	16.00	
Over Draft Against Export Receivables		1.50	1.50	
Bank Guarantee		Non-Fund Based	0.75	0.75
Letter of Credit	3.00		3.00	
Total Amount to be rated			50.85	48.81
Total Amount to be rated			Rupees Forty Eight Crores and Eighty One Lakhs Only	



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