

Rating Rationale

Amrit Crafts Pvt Ltd

12Jul2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 36.47 Crores of Amrit Crafts Pvt Ltd. (ACPL or ‘The Company’)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr,2018)	Present
Fund based Cash Credit**	12.00	12.00	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)	BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable) Reaffirmed
Fund based Term Loan	22.00	22.47			
Non Fund Based Bank Guarantee	1.00	1.00	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmed
Non Fund Based Letter of Credit	1.00	1.00			
Total	36.00	36.47	(INR Thirty Six Crores and Forty Seven Lakhs Only)		

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

** Rs.1.00Crs of packing credit sub limit of Cash Credit

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied on the audited financials upto FY18, Provisional Financials of FY19 and projections for the financial year of FY20 and FY21 of Amrit Crafts Private Limited, information /clarifications provided by the Company’s management and publicly available information.



The rating reaffirmation factors in the Company's ability to nearly meet its estimated revenues for FY19 post completion of one year of operations of the project. Given the promoters' experience in the textile industry, support from the group concern, diversified product portfolio and client profile, the company has estimated to improve on its revenues and generate profits from next financial year onwards. ACPL provides backward integration support to the group concern. The company has generated operating profits however has incurred net losses for FY19 and the credit profile remains to be weak. With better realisation of the increasing order book, optimum utilization of capacities and effectively managing its working capital shall be the key monitorables

Description of Key Rating Drivers

Credit Strengths:

- *Increase in topline and operating profits:* ACPL started operations of the newly established Dyeing machine in February 2018. In FY19, the Dyeing machine operated at 80% of the installed capacities and revenues reported were Rs.30Crs. In FY20, the revenues are expected to improve further with optimum utilisation of installed capacity. The company has already reported revenues of Rs.11.00 Crs in the Q1FY20. The Company's scale of operation is comparatively on the lower side than its estimates.
- *Net worth:* ACPL's net worth increased to Rs.8.18Crs in FY19(Provisional) with an infusion of Rs.5Crs by the promoters as capital.
- *Experience of Promoters:* The promoters Mr. Anil Buchasia, Mr. Sohm Buchasia and Mr. Sohm Buchasia. Mr. Anil Buchasia and Mr. Sohm Buchasia are professionally qualified and has more than two decades of work experience in international trade in workwear and safety wear.

Credit Risks:

- *Dyeing Business:* ACPL has recently started its Dyeing business. FY19 is the first full year of operations.
- *Net Losses:* Net losses for ACPL continued in FY19 (Provisional) due to high fixed costs i.e. high depreciation and interest costs. In the second year of project i.e. FY20, ACPL expects better turnover with higher orders and optimum utilisation of capacities. Increase in scale of operations shall enable absorption of fixed costs. The company is expected to turnaround in FY20.
- *Credit Profile:* Total gearing is stretched at 3.21x in FY19(Provisional) (FY18:4.25x) due to the debt led CAPEX and an over 90% utilisation of working capital loans. Gearing is expected to go down with repayment of debts going forward. Interest service coverage and debt service coverage ratio is at 1.81x and 0.99x respectively in FY19.
- *Operating Cycle:* ACPL's operating cycle is at 163 days in FY19 needs substantial improvement.especially in its inventory and receivable days.

Key Rating Sensitivities

As per FY19 provisional financials, the company has operating margins of around 20%. The company plans to continue with its optimum capacity utilisation and increase its order book. Going forward



maintaining operating profits of at least 20% and ISCR of above 2.00x, while retaining/ improving on the other financial parameters as of FY19 shall be the key rating sensitivities.

Liquidity

The company's net cash accruals to total debt is low at 0.08x. as of FY19 (Provisional) which is likely to improve going forward. Net cash from operating activities have been informed as improved during FY19, it was Rs.5.89 Crs in FY18 from a negative of Rs.12.84 Crs in FY17. The company expects to generate net profits for FY20 onwards to improve on its cash flows.

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).

Rating Outlook: Stable

BWR believes the **Amrit Crafts Pvt 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. 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

Incorporated in 2004, Amrit Crafts Pvt Ltd. is located at Kolkata, West Bengal. The Company engaged in sales of fabric as well as trading and manufacturing of garment in international and domestic market. Recently, it started a "Dyeing and Processing Unit" and the commercial operation has started in the month of February, 2018. Lux Hosiery, Comfort Lady and many reputed branded players are in the clientele profile of the Company. Its group company, Amrit Exports Pvt Ltd is also one of the customers and boosts the overall performance of the group by backward integration with its own dyeing and knitting operations. ACPL is managed by three directors namely, Mr. Shom Buchasia, Mr. Shivam Buchasia and Mr. Krishna Kumar Ram.

Company Financial Performance

As per the Audited financial FY18, total revenues were Rs.3.65 Crs (FY17:3.51Crs), Operating profit was Rs.0.88Crs (FY17:Rs.0.12 Crs) and incurred a net loss of Rs.1.50 Crs against profit of Rs.0.07 Crs in FY17, due to high fixed costs. Tangible net worth of the Company has increased to Rs. 8.18 Crs in FY18 on account of capital infusion. The Bank has informed of the account being standard with satisfactory conduct. As per FY19 provisionals, the Company has indicated improvement in terms of revenues and operating profits however continues with a net loss.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	23, Apr, 2018	2017	2016
1.	Fund Based Cash Credit	Long Short	12.00	BWR BB- (BWR Double B Minus) (Reaffirmed) (Outlook: Stable)	BWR BB- (BWR Double B Minus) (Outlook: Stable) (Assigned)	Not Rated	Not Rated
2.	Fund Based Term Loan		22.47				
3.	Non Fund Based Letter of Credit	Short Term	1.00	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (Assigned)	Not Rated	Not Rated
4.	Non Fund Based Bank Guarantee		1.00				
Total			36.47	(₹ Thirty Six Crores and Forty Seven Lakhs Only)			

Status of non-cooperation with previous CRA (if applicable)-NA

Any other information:NA

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Aud.	Aud.
Operating Revenue	Rs.in Crs	3.37	2.04
EBITDA	Rs.in Crs	0.14	0.88
PAT	Rs.in Crs	0.07	(1.50)
Tangible Net worth	Rs.in Crs	5.13	8.18
Total Debt/Tangible Net worth	Times	3.09	4.25
Current Ratio	Times	4.24	0.83

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)



- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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

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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.



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