



Rating Rationale

Amrit Crafts Pvt Ltd

23 April 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 36.00 Crores of Amrit Crafts Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit**	12.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable)
Fund based Term Loan	22.00		
Non Fund Based Bank Guarantee	1.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Non Fund Based Letter of Credit	1.00		
Total	36.00	INR (Thirty Six Crore Only)	

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

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

Rating under Credit Watch with Positive / Negative / Developing implications - NA

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied on the audited financials upto FY17 and projections for the financial year of FY18 and FY19 of Amrit Crafts Private Limited ('ACPL' or 'the Company'), information /clarifications provided by the Company's management and publicly available information.

The rating derives strength from the promoters' experience in the textile industry, Support from sister concern, moderate debt protection indicator, comfortable leverage ratio, newly established dying processing unit, diversified product portfolio and client profile. However, the rating is constrained by intense competitive nature of the industry, high capital gearing ratio, thin profit margin. Going forward, the ability of the company to improve on revenues, profitability margins, run and manage newly established dying unit and manage working capital requirements efficiently would be the key rating sensitivities.



Rationale/Description of Key Rating Drivers/Rating sensitivities:

Description of Key Rating Drivers

Credit Strengths:

- **Experience of Promoters:** The Company is managed by Mr. Anil Buchasia, Mr. Sohm Buchasia and Mr. Sohm Buchasia. Mr. Anil Buchasia and Mr. Sohm Buchasia are chartered Accountants by qualification. Mr. Anil Buchasia is the director of marketing and sales and has more than two decades of work experience in international trade in workwear and safety wear.
- **Support from Sister Concern:** ACPL has also the support of its sister concern Amrit Exports Pvt Ltd which has also been in existence since 1996.
- **Moderate Debt Protection Metrics:** The Company with both term loan and working capital facilities has moderate debt protection reflected through interest coverage ratio and debt coverage ratio.
- **Comfortable Liquidity Ratio:** The current ratio of the Company has been comfortable at 4.24 times as on March 31, 2017.

Credit Risks:

- **Small Scale of Operation:** The Company's scale of operation is low with revenue turnover of ₹. 3.37 crores in FY17. ACPL derives majority of its revenue from domestic market.
- **Competition and Cyclicity:** Operating in a highly competitive environment having exposure to the inherent cyclicity in the Indian Textile Industry, remains challenging for the Company.
- **High Capital Gearing Ratio:** The gearing of the Company has been stretched at 3.09 times as on March 31, 2017 owing to high debt for new dying processing unit.
- **Declined Operating Profit Margin:** The operating profit margin of the company has declined 3.99 times in FY17 from 8.41 times in FY16.
- **Risk arises due to Newly Established Dying Processing Unit:** In February 2018, the Company started a Dying Processing Unit at Bira, Jesore Road, West Bengal. The total project cost is around ₹ 34.00 crores, financed through partners' capital of ₹. 12.00 crores and term loan of ₹. 22.00 crores.

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, a private limited company, is located at Jessore Road, Joypul, 24 Parganas (North), West Bengal. The registered office of the Company is situated at Room No-605, 1(6th Floor), British Indian Street, Kolkata, West Bengal. The Company engaged in sell of fabric as well as trading and manufacturing of garment in international and domestic market. Recently they have started a “Dying and Processing Unit” at Bira, Jessore Road, West Bengal 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. Amrit Exports Pvt Ltd is also one of the customers and boosts the overall performance of the group by backward integration with its own dying and knitting operations. The 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 FY17, the net profit of the Company has increased from ₹ 0.05 Crores in FY16 to ₹ 0.07 Crores in FY17. The Company has reported gross sales of ₹ 3.37 Crores in FY17 against ₹ 2.35 Crores in FY16. Tangible net worth of the Company has increased from ₹ 3.91 Crores in FY16 to ₹ 5.13 Crores in FY17 on account of ploughing back of profit coupled with capital infusion. The Bank has informed of the account being standard with satisfactory conduct.

Brief note on project and Company

Amrit Crafts Pvt Ltd (or 'the Company'), Textile Bleaching and Dyeing house in West Bengal. The Company incorporated in 2004 is a part of Amrit Group, 24 Parganas, West Bengal. The group is engaged in Manufacturing of Garments, Knitted Fabric production, Jute & Cotton Bags manufacturing, Construction, etc. The associate concern - Amrit Exports Pvt Ltd is the flagship concern of the group and estimates increased revenues over its previous year and caters to the european market since past 18 years. It is manufacturer and exporter of Industrial Garments & export of all kinds of work-wear including safety-wear & casual-wear, A few of the reputed clientele it caters to are companies/organizations of the world like Fiat, Volkswagen, Swiss Military, Swiss Rail etc.



Amrit Craft P Ltd started as buying agent for some leading Garment & leather gloves manufacturing industries of Europe, and started its own manufacturing and export of garments and gloves in the year 2008.

In view of the group's growing presence in the market and sighting the increasing demand for knitted garments, the Company in 2015 decided to venture into Textile Dyeing and Bleaching particularly for knitted fabric at Bira, North 24 Parganas, West Bengal.

The company is a step towards backward integration of the flagship company - Amrit Exports Pvt Ltd, presently procuring dyed fabric from the market. The synergies in the group companies shall assist in reducing cost and improve on profitability.

The promoter of the Company Mr Anand Buchasia and Mr Krishan Kumar Ram are qualified finance professional with a business acumen in garment industry. The promoters are supported by experienced management team and currently managed by three directors namely, Mr. Shom Buchasia, Mr. Shivam Buchasia and Mr. Krishna Kumar Ram

The project envisages dyeing and bleaching of knitted fabric. Knitting is considered to be the second most frequently used method of fabric construction, after weaving. Knitted fabric has certain special characteristics that make it suitable for creating a wide range of garments and accessories like tights, gloves, underwear and other close-fitting garments. The structure of the loop of knitted fabric stretches and molds to fit body shapes. The air trapped by the interlocking loops keeps the wearer warm.

The Company planned to implement a technologically superior bleaching and dyeing plant for knitted fabric with the following two divisions:

- ★ Bleaching Division with a capacity of 3000 KG per day fabric processing
- ★ Processing Division with a capacity of 7400 KG per day fabric processing

The project cost of Rs.34.58 Cr was funded by Bank term loan of Rs.22 Cr and remaining from promoters contribution, unsecured loans and internal accruals. The Bank has informed of standard and satisfactory conduct of account. The repayment for the term loan to begin from Q1FY19. The Company confirms of meeting its debt and interest obligation on a timely manner. Generation of adequate cash flows and meeting the debt and interest obligation in a timely manner remains a key monitorable.

As of FY18, the company has completed its project and commenced production from January 2018, though with a delay due to unforeseen family issues. The Company conservatively foresees revenues of Rs.36 Cr for its first full year of operations FY19 and also expects improved profitability going forward.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
1.	Fund Based Cash Credit	Long Term	12.00	BWR BB- (Outlook: Stable)	-	-	-
2.	Fund Based Term Loan		22.00		-	-	-
4.	Non Fund Based Letter of Credit	Short Term	1.00	BWR A4	-	-	-
5.	Non Fund Based Bank Guarantee		1.00		-	-	-
	Total		36.00		₹ Thirty Six Crore Only		

Note: The aforesaid facilities are availed from Indian Bank, Strand Road Branch, West Bengal.

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	3.37	2.35
EBITDA	₹ Cr	0.04	0.09
PAT	₹ Cr	0.07	0.05
Tangible Net worth	₹ Cr	5.13	3.91
Total Debt/Tangible Net worth	Times	3.09	0.17



Current Ratio	Times	4.24	1.55
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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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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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.



DISCLAIMER

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