



Rating Rationale

Amrutha Knit Fab

07May2019

Brickwork Ratings revises the long term rating and withdraws the short term rating for the Bank Loan Facilities of ₹4.58 Crores of Amrutha Knit Fab ('AKF' or 'the firm')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2017)	Present
Fund based	5.11	4.58	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Upgraded
Non Fund Based	0.23	-	Short Term	BWR A4 (Pronounced as BWR A Four)	Withdrawn
Total	5.34	4.58	INR Four Crores and Fifty Eight 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Ratings: Long term rating upgraded and short term rating withdrawn

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, publicly available information and clarifications as provided by the firm's management.

The present rating upgrade has factored the sales growth of the firm in FY18, comfortable gearing, adequate debt protection metrics, healthy profit margins, partner's experience in the business and location advantage. The rating, however, is constrained by the short track record of the firm, its small scale of operations, low networth, high receivables days and presence in highly fragmented industry.



Going forward, the ability of the firm to further enhance its scale of operations, sustain the profitability margins while managing the volatility in raw material prices, exchange rates and the receivable days efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths: Partners of the firm has more than two decades of experience in the industry. Net sales of the firm has increased from ₹9.51 Cr in FY17 and ₹11.40 Cr in FY18 and has registered an operating profit margin of 23.40% and net profit margin of 4.84 times. The firm has a gearing of 1.06 times in FY18 with an ISCR of 3.10 times and DSCR 1.75 times in FY18. The firm has its processing unit located in Tirupur (Tamil Nadu), which is a textile hub, providing an easy access to the skilled labourers and raw materials.

Credit Risks: The firm, established in 2014, has an operational track record of five years and small scale of operations. Networth of the firm stood at ₹7.10 Cr as on 31st March 2018 and is susceptible to inherent risk of partnership concern of capital withdrawal. Receivables days remains stretched at 127 days in FY18.

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 **Amrutha Knit Fab** 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

Amrutha Knit fab is a partnership firm established in the year 2014 at Tirupur, Tamilnadu by Mr. Duraisamy and Mr.Muruganantham as partners. The firm engaged in dry cloth compacting and manufacturing of hosiery garments. The manufacturing unit of the firm has an installed capacity to process 36000 kgs of fabric per day. It has utilized 100% of its installed capacity during FY18 business operations.

Company Financial Performance

As per audited financials FY18, the firm has achieved a total operating income of ₹11.40 Cr with an operating profit of ₹2.67 Cr and net profit of ₹0.55 Cr.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	02.11.2018	01.08.2017	2016
1.	Fund Based	Long Term	4.58	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Upgraded	Rating not Reviewed	BWR B (Pronounced as BWR Single B) Outlook: Stable	Not Rated
2.	Non Fund Based	Short Term	-	Short term rating withdrawn		BWR A4 (Pronounced as BWR A Four)	
Total			4.58	₹ Four Crores and Fifty Eight Lakhs Only			

Status of non-cooperation with previous CRA - None

Any other information - Nil

Key Financial Indicators

Key Parameters	Units	FY18	FY17
Result Type		Audited	Audited
Operating Revenue	₹ Cr	11.40	9.51
EBITDA	₹ Cr	2.67	3.05
PAT	₹ Cr	0.55	0.97
Tangible Net worth	₹ Cr	7.10	6.55
Total Debt/Tangible Net worth	Times	1.06	0.93
Current Ratio	Times	0.96	1.35

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- [Infrastructure Sector](#)
- [Short Term Debt](#)

Analytical Contacts	Media
<i>AP Kamath</i> <i>Senior Director-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wording in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.

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 reason.

Annexure - I

₹ Cr

Name of the Bank	Facilities	Tenure	Previous Amount	Present Amount
Federal Bank	Cash Credit	Long Term	1.00	2.00
	Term Loan		4.11	-
	Term Loans		-	2.58*
	Bank Guarantee	Short Term	0.23	-
Total			5.34	4.58

**Combined outstanding amount of five term loans*