



RATING RATIONALE

14 March 2020

Amurtha Textiles

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs.11.00 Crs. of Amurtha Textiles

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2018)	Present
Fund based	10.75	10.12	Long Term	BWR BB- (Stable) Reaffirm	BWR BB- (Stable) Reaffirm
Non- Fund based	0.88	0.88	Short Term	BWR A4 Reaffirm	BWR A4 Reaffirm
Total	11.63	11.00	INR Eleven Crores only		

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

Complete details of Bank facilities is provided in Annexure-I

Note: The warehouse loan from State Bank of India amounting to Rs.2.74 Crs availed in FY19 has been closed hence not considered for rating purpose.

RATING ACTION/OUTLOOK:

The reaffirmation of rating is on account of proprietors' experience, established track record and steady growth in revenues. However, the ratings are constrained by reduced operating profit margin, volatility of raw materials, slowdown in the overall textile industry and constitution of the concern.

BWR believes the Amurtha Textiles 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.



KEY RATING DRIVERS

BWR has essentially relied upon the audited financial statements of Amurtha Textiles of FY17, FY18 and FY19, publicly available information and information/clarifications provided by the management.

Credit Strengths:

- **Experience of Promoter:**

The proprietor of the concern, Mr. Sathasivam has more than 25 years' experience in the same line of business.

- **Efficient cash conversion cycle:**

The cash conversion cycle has been improving for the last 3 years. It has reduced from 57 days in FY17, 47 days in FY18 to 40 days in FY19.

- **Moderate credit risk profile:**

For the year FY19, the gearing of the concern is moderate at 1.29 times. The debt protection metrics of the concern are comfortable with DSCR and ISCR at 1.52 times and 2.26 times. The current ratio stood at 1.41 times. The revenue for the last 3 years has seen a growth of 68.22% from FY17 to FY19. However the rise in operating expenses is outpacing the rise in revenue thus resulting in a reduction in the profitability margins in spite of growth in sales.

Credit Risks:

- **Moderate scale of operations:**

The total operating income of the concern during FY19 is Rs.58.76 Crs as against their operating income of Rs.40.68 Crs in FY18, it is still at moderate levels considering the years of existence.



- **Limitation of Proprietorship concern:**

Being a proprietorship concern, it has the inherent risk of unlimited liability. Also, it has the risk of the proprietor withdrawing the funds to meet his personal contingencies. This might affect the capital structure of the concern adversely.

- **Volatility of raw material prices:**

The prices of cotton depends on various factors like monsoon, Government intervention through Minimum Support Price, demand etc., which affects the operating margins of the concern.

- **Slowdown in the overall Textile industry:**

The concern operates in a highly competitive and unorganized market. Also contributing to the credit risk is the economic slowdown faced by the Textile industry resulting in closure of many spinning mills and huge job losses across India.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the concern to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities.

Positive: The rating would be upgraded if the concern improves its scale of operations and liquidity position.

Negative: The rating would be downgraded if the liquidity, profitability margins and the gearing levels further deteriorate.

LIQUIDITY INDICATORS

Moderate

The liquidity position of the concern is at moderate levels with current ratio of 1.41 times in FY19 with a slight improvement from 1.23 times in FY18. The DSCR and ISCR of the concern are at 1.52 times and 2.26 times in FY19. The conversion cycle is improving for the last 3 years.



It has improved from 47 days in FY18 to 40 days in FY19. However, the cash credit limit is almost fully utilized at 98% during the last three months.

COMPANY PROFILE

Amurtha Textiles is a proprietorship concern set up in 1992 by Mr. S. Sathasivam. The concern is engaged in the manufacturing of cotton yarn of 40s count and also grey fabric, with fabric conversion being primarily outsourced. The concern's manufacturing facility is located in Coimbatore, Tamil Nadu with an installed capacity of 20112 spindles. The concern has tied up with various unorganized weavers for the fabric conversion.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	Crores	58.76	40.68
OPBDIT	Crores	2.58	2.21
PAT	Crores	0.98	0.65
Tangible Net worth	Crores	10.38	9.71
Total Debt/Tangible Net worth	Times	1.29	0.90
Current Ratio	Times	1.41	1.23

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS:

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	Sep 2019	2018	Apr 2017
Fund Based	Long Term	10.12	BWR BB- (Stable) Reaffirm	Rating not Reviewed	<u>30 Aug.2018</u> BWR BB- (Stable) <u>7 Aug.2018</u> Rating not Reviewed	BWR BB- (Stable)
Non- Fund Based	Short Term	0.88	BWR A4 Reaffirm		<u>30 Aug.2018</u> BWR A4 <u>7 Aug.2018</u> Rating not Reviewed	BWR A4
Total		11.00	₹ Eleven crores only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

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

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Amurtha Textiles

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	Union Bank of India	Cash Credit	6.50	-	6.50
2.		Term Loan	1.34	-	1.34
3.		Term Loan- V	1.84	-	1.84
4.		Term Loan – VI	0.44	-	0.44
5.		Bank Guarantee	-	0.88	0.88
Total					11.00

Total Rupees Eleven Crores only.

For print and digital media

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DISCLAIMER

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