



## Rating Rationale

### Amurtha Textiles

30 Aug 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 11.63 Crores of Amurtha Textiles

#### Particulars

Facility	Amount (₹ Cr)		Tenure	Rating*		
	Previous	Present		Previous to previous (Apr, 2017)	Previous (Aug 2018)	Present
Fund based	7.66	10.75	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed
Non Fund Based	0.88	0.88	Short Term	BWR A4 (Pronounced as BWR A Four)	Rating Not Reviewed	BWR A4 (Pronounced as BWR A Four) Reaffirmed
<b>Total</b>	<b>8.54</b>	<b>11.63</b>	<b>INR Eleven Crore and Sixty Three Lakhs Only</b>			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

#### Ratings: Reaffirmed

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of FY17, **management certified provisionals of FY18**, publicly available information/clarifications as shared by the firm's management.

The rating has factored in the proprietor's experience, operational track record of the firm, visible revenue growth, and satisfactory debt coverage ratio. The rating, however, is constrained by small scale of operations of the firm, declined in profitability margin, high gearing, increased conversion cycle exposure to the volatility of the raw materials, competition from other players in the industry inherent risk and gap risk



Going forward, the ability of the firm to enhance its scale of operations with improved revenues , profits and profitability margins and better cash accruals to debt would be the key rating sensitivities.

#### **Description of Key Rating Drivers**

- **Credit Strengths:** Proprietor of the firm has more than two decades of experience, the firm was set up in 1992, net sales has grown from ₹ 32.02 Cr in FY16 to ₹34.93 Cr in FY17 to ₹ 40.68 Cr in FY18, debt coverage is at 1.39 X in FY 18
- **Credit Risks:** Small scale of operations with average revenue of Rs 35.88 Crs in the last 3 years considering the firm's existence since 1992 , operating profit margin and net profit margin have declined from 6.06% and 2.24% in FY17 to 5.14% and 1.37% in FY18, respectively. gearing with outside total liability is at 1.52 X in FY18 . conversion cycle is 59 days , inherent risk being the proprietorship in constitution, Gap risk arising between provisional and audited FY 18 data

#### **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 **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.

#### **About the Company**

Amurtha Textiles (AT) is a proprietorship firm set up in 1992 by Mr. S. Sathasivam. The firm is engaged in the manufacturing of cotton yarn of 40s count and also grey fabric, with fabric conversion being primarily outsourced. The firm's manufacturing facility is located in Coimbatore, Tamil Nadu with an installed capacity of 20112 spindles and 14 looms. The firm has tied up with various unorganized weavers for the fabric conversion.

#### **Company Financial Performance**

Net sales from operations was at ₹34.93 Cr in FY17 against ₹32.02 Cr in FY16. The net profit of the Firm was at ₹0.78 Cr in FY17 as against ₹0.42 Cr in FY16. As per provisional FY18, firm has achieved a profit of ₹0.56 Cr on revenue of ₹40.68 Cr.



### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	6.4.2017	30.12.2016	15.9.2015
1.	<b>Fund Based</b>	Long Term	10.75	<b>BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed</b>	<b>BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed</b>	Rating Not Reviewed	<b>BWR BB- (Pronounced as BWR Double B Minus)</b>
2.	<b>Non Fund Based</b>	Short Term	0.88	<b>BWR A4 (Pronounced BWR A Four) Reaffirmed</b>	<b>BWR A4(Pronounced BWR A Four) Reaffirmed</b>		<b>BWR A4(Pronounced BWR A Four)</b>
	<b>Total</b>		<b>11.63</b>	<b>₹ Eleven Crore and Sixty Three Lakhs Only</b>			

Status of non-cooperation with previous CRA - None

Any other information: None

### Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹Cr	34.93	32.02
EBITDA	₹Cr	2.12	2.11
PAT	₹Cr	0.78	0.42
Tangible Net worth	₹Cr	8.02	7.28
Total Debt/Tangible Net worth	Times	1.10	1.27
Current Ratio	Times	1.18	1.30



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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### For print and digital media

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities



**DISCLAIMER**

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**Annexure - I**

₹ Crore

Name of the Bank	Facilities	Tenure	Amount (Apr, 2017)	Amount
Union Bank of India	Cash Credit	Long Term	4.30	6.50
	Term Loan		3.36	1.76
	Term Loan V		1.99	1.99
	Term Loan VI		0.50	0.50
	Bank Guarantee	Short Term	0.88	0.88
Total			10.53	11.63