

Rating Report

Brickwork Ratings upgrades the ratings for Bank loan facilities amounting to ₹ 21.05 Cr of Amitech Textiles Ltd (ATL).

Brickwork Ratings (BWR) upgrades the **Ratings¹** to BWR BB-/A4 from BWR D for Bank Loan Facilities by Bank of India to Amitech Textiles Limited (ATL or the ‘Company’) (**previously known as Amitech Industries Limited**).

Facility	Limits (₹ Cr)	Tenure	Ratings ¹
<u>Fund Based</u>			
TL	9.79	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook - Stable
CC	11.00		
<u>Non-Fund Based</u>			
BG	0.26	Short Term	BWR A4 (Pronounced BWR A Four)
Total	21.05	(INR Twenty One Crore and Five Lacs only)	

BWR has principally relied upon the audited financial results of Amitech Textiles Ltd up to FY 14 and further projected financials, publicly available information and information/clarification provided by the Company management.

The ratings assigned to the bank facilities of ATL is constrained by modest scale of operation, low profitability, working capital intensive nature of operation, moderate liquidity position & delays in repayment obligation, weak financial risk profile marked by relatively high gearing, customer concentration risk and its presence in the highly competitive and fragmented yarn processing segment. The rating, however, draws strength from the vast experience of the promoters, established track record of operation and its diversified revenue stream from processing of various types of high quality texturized dyed yarn.

Background

Incorporated in 1992 as **Amitech Industries Limited**. On 20th August 2013, the Company has changed its name to **Amitech Textiles Limited (ATL)**. The processing unit of ATL is

¹ Please refer to www.brickworkratings.com for definition of the Ratings

located at Panki, Kanpur. It is promoted by Mr. Anil Pandey; with more than three decades experience in the man-made yarn business. ATL is an ISO 9001:2008 certified company.

Operation

ATL is primarily engaged in the manufacturing of polyester filament yarns from Partially Oriented Yarn (POY) in the range of 30 to 3000 denier i.e. texturized, intermingled (Roto), twisted and dyed yarn. POY is primarily procured from the domestic market. The sales mix of ATL is well-diversified across the various types of yarn. Company caters to the needs of entire value chain in textile industries through different yarns used in knitting, upholstery, home furnishings, industrial , auto motives, tapes and elastic, dress material, suiting, shirting and sarees. ATL market its product under “A1” Brand.

In FY 14 ATL doubled its production capacity to 4320 tons pa by establishing another unit adjacent to the old plant .Total cost of the project is ~15.00 Cr which has been funded through debt equity of 2.3:1. New plant is expected to start production from mid Nov 13. Company is planning to enter in to new product category i.e. medical textile including non-woven products to strengthen its market. The business of ATL is restricted to dyeing and processing of yarn, a segment which has limited value addition when compared to the large value chain of textile industry. ATL is a small player in a highly fragmented textile industry which limits its bargaining power with customers and suppliers. The industry is characterized by low entry barriers due to minimal capital required, resulting in emergence of large number of unorganized players based out of Uttar Pradesh for polyester yarn processing. As a result, ATL faces high degree of competition due to its presence in a fragmented industry.

Financial Performance

The scale of operations of ATL is modest considering its total income of Rs.25.22 Cr and its net worth of Rs.6.22 Cr during FY13. Total income from operations of ATL had increased at a Compounded Annual Growth Rate (CAGR) of ~6.5% during FY09 to FY13 on account of the increased sales volume supported by the higher demand. Despite of decline in sales volume by 5% y-o-y as a result of slowdown in demand, total operating income increased by 10% during FY13 on account of softening in material prices. The profitability remained thin due to the limited value addition. While EBITDA margin remained at around 7% to 8%, PAT margin remained below 1.50% in the last three years. The overall gearing, though improved, stood high at 1.98 times in FY 13 as against 2.04 times in FY 12, primarily owing to partial repayment of bank borrowings and increase in internal accruals. While interest coverage remained stable over last three years, total debt/GCA slightly deteriorated during FY13 due to higher debt level as on March 31, 2013. The operations of ATL are working capital intensive as indicated by net working capital as a percentage of total capital employed of around 60% during the last three years. Current ratio remained low at 0.77 below the unity level in FY 13 while working capital cycle remaining in the range of 80-100 days during this period. Overall, the liquidity was low as is

evident from the average fund based working capital utilization of 93% during the trailing 12 months ending March 2013.

Rating Outlook

The outlook of the company will be stable for the year. Going forward, the ability of the company to start production from the new plant as per the scheduled time line, manage its working capital effectively along with improvement in financial risk profile and better liquidity position would be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Amitech Textiles Limited

Annexure I - Key Financials

Particulars (Rs. In Crores)	2011	2012	2013
	A	A	A
Operating Income	18.49	26.54	25.22
EBITDA	1.61	1.84	2.03
PAT	0.20	0.33	0.36
Long term borrowings	3.41	5.41	3.93
Short term borrowings	5.55	5.86	8.36
Total Debt	8.96	11.27	12.29
Paid Up Equity Capital	1.16	1.40	1.40
Reserves & Surplus	7.66	7.92	8.28
Tangible Net worth (Rs. Cr)	4.94	5.52	6.22
Debt to Equity (x)	1.81	2.04	1.98
Interest Coverage (x)	1.53	1.57	1.76
DSCR(x)	1.17	1.06	0.91
EBITDA Margin (%)	8.72%	6.93%	8.05%
PAT Margin (%)	1.09%	1.24%	1.42%
Net Cash Accruals / Total Debt (x)	0.09	0.09	0.07
Current Ratio (x)	0.86	1.11	0.77

**Calculations has been based on BWR ratio definition*