

Press Release

Ample Textech Private Limited (ATPL)

28 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.7.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.00 crore bank facilities of Ample Textech Private Limited (ATPL). The outlook is '**Stable**'.

The company, established in 2011, is engaged in the dyeing and bleaching of grey fabric on job work basis.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. Radhey Shyam Agarwal and Mr Vikash Agarwal, the promoters, possess more than a decade of experience in the textile industry.

Average financial risk profile: The average financial risk profile is marked by aggressive gearing, average interest coverage ratio and high Net Cash Accruals to Total Debt (NCA/TD). The debt equity is at 4.40 times and interest coverage at 3.74 times in FY2016. Moreover, NCA/TD is high at 0.31 times in FY2016. The networth stood at Rs.1.85 crore in FY2016.

Weaknesses:

Thin profit margins: The profit margins have been thin varying between 0.06 per cent and 0.12 per cent in the past three years ended FY2016.

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset days of 118 in FY2016. The debtor days are at 88 and creditor days at 135 in FY2016. The bank limit utilisation has been around 80 per cent of cash credit facility.

Moderate project risk: ATPL proposes to add new printing machines at an approximate cost of Rs.4 crore to be funded through a term loan of Rs.3 crore and the balance from own sources. The company is into dyeing and bleaching and will start printing on fabrics by the end of FY2018. Hence, timely availability of funds and completing the project as scheduled would remain the key rating sensitivity factors.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that ATPL will maintain a stable outlook over the medium term owing to the promoter's extensive business experience. The outlook may be revised to 'Positive' if ATPL achieves more than envisaged sales and profitability while achieving improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile further deteriorates owing to higher than expected increase in debt-funded working capital requirements.

About the Rated Entity

The Kolkata-based ATPL was established in 2011 by Mr Radhey Shyam Agarwal and Mr Vikash Agarwal. The company is engaged in the dyeing and bleaching of grey fabric on job work basis. Commercial operations commenced in 2013.

For FY2015-16, ATPL registered Profit After Tax (PAT) of Rs.0.57 crore on operating income of Rs.14.17 crore, as compared with loss of Rs.1.14 crore on operating income of Rs.10.82 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	0.50	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	4.80	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Proposed	LT	1.45	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.25	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	0.50	SMERA B/Stable (Assigned)
Term Loan	N.A	N.A	Sep 2019	4.80	SMERA B/Stable (Assigned)
Proposed	N.A	N.A	N.A	1.45	SMERA B/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.25	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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