



Press Release

Amartex Industries Limited

January 03, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facility	19.21	IVR BB+/ Positive (IVR double B plus with Positive Outlook)	Assigned
Total	19.21 (Nineteen crore twenty- one lakhs rupees only)		

Details of Facilities are in Annexure 1

Detailed Rationale:

The rating assigned to the bank facilities of Amartex Industries Limited (AIL) derives strength from the long experience of the promoters, diversified product portfolio and conservative capital structure profile of the company. The rating, however, is constrained by the relatively small scale of current operations, significant decline in the topline and profits in FY2021, working capital intensive business due to high inventory holding, high geographical concentration risk and highly fragmented and competitive nature of the industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity on a sustained basis.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of the promoters**

The company was incorporated by the Grover family. The promoters have a long experience and have an established track record in the retail industry. The company's day-to-day operations are looked after by Mr. Arun Grover, Mr. Varun Grover and Mr. Shivam Grover, along with a team of experienced professionals.

- **Diversified product portfolio**

The company's product portfolio consists of a wide range of garments for men, women, kids home décor, FMCG etc. Diversified product offering holds the key to attract customers from various segments of the society. Further, the company has a weaving, dying and a processing unit which provides uninterrupted supply of materials at comparatively lower cost.

- **Conservative capital structure**

The financial risk profile of the company is comfortable marked by satisfactory tangible Net worth base of Rs. 36.64 crore as on March 31, 2021 as against Rs. 32.60 crore as on March 31, 2020. The capital structure of company remains conservative marked by a long term debt equity ratio and gearing ratio of 0.09x and 0.39x respectively as on March 31, 2021.

Key Rating Weaknesses

- **Relatively small scale of current operations; significant decline in the topline and profits in FY2021**

The company's scale of operations continues to remain relatively small, which results in low profits and cash accruals on an absolute basis. Moreover, the company witnessed a decline of ~22% in its top line in FY21 in comparison to FY20 due to nationwide lockdown announced by the Government of India from March 23, 2020 on account of covid-19 pandemic. However, in the current fiscal, the company reported a topline of Rs. 40.85 crore in H1FY2022, depicting an y-o-y increase of ~66% on the back of opening up of the economy, resulting an increase in the demand. Consequently, the EBDITA also increased to Rs. 4.72 crore in H1 FY2022 in



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comparison to Rs. 2.41 crore in H1 FY2021. Infomerics notes that with an increase in demand the topline and profits are likely to improve in the current fiscal in comparison to FY2021; however, the sustainability of such an improvement, going forward, remains to be seen.

- **Working capital intensive business due to high inventory holding**

The company's operations are characterised by high working capital intensity primarily because of its need to maintain adequate inventory at stores as well as warehouses. While the management is focusing on reducing inventory holding, but the same continues to remain high as depicted by NWC/OI of 50% in FY21. The company also remains exposed to various other risks associated with high inventory on the books, as is inherent in the retail business like the risk of inventory becoming obsolete, getting damaged, or going out of fashion, etc.

- **High geographical concentration risk**

The company has a high geographic concentration with all the stores located in Himachal Pradesh, Haryana, Punjab and Chandigarh. The limited presence restricts the company's bargaining power with multinational brands.

- **Highly fragmented and competitive industry**

The retail industry is highly competitive and fragmented in nature with several large players and numerous small players. Healthy growth prospects, high profitability, and ease in procurement have attracted several players into the retail market. Intense competition may continue to constrain scalability, pricing power and profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity – Adequate

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations during FY2022-FY2024. Further, the company has no debt funded capex plan in the near to medium term, which imparts comfort. During last 12 months ending in March 2021, average utilization of bank borrowing was around ~58% indicating an adequate liquidity buffer. Further, company has reported adequate current ratio at 1.81X as on March 31, 2021 to meet its near-term cash requirements.

About the Company

Amartex Industries Limited (AIL) was incorporated in 1988 which was initially incorporated under the name of M/s. Amar Suiting Manufacturing Company Pvt Ltd which was changed to AIL in 1998. The company is mainly promoted by Mr. Arun Grover. AIL operates a chain of 13 retail stores in the name of Amartex Family Mart in Himachal Pradesh, Haryana, Punjab and Chandigarh. Further, the company also operates weaving, dying and a processing unit for manufacturing retail garments.

Financials (Standalone):

Rs in Crore

For the Year ended*/As on	31-March-20 (Audited)	31-March-21 (Audited)
Total Operating Income	70.64	55.23
EBITDA	6.36	5.25
PAT	7.74	4.03
Total Debt	15.94	14.20
Tangible Net Worth	32.60	36.64
EBITDA Margin (%)	9.00	9.50
PAT Margin (%)	10.28	7.12
Overall Gearing ratio(X)	0.49	0.39

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	19.21	IVR BB+/ Positive	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Parth Mehta	Name: Mr. Sandeep Khaitan
Tel: (079) 40393043	Tel: (033) 46022266
Email: parth.mehta@infomerics.com	Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	19.21	IVR BB+/Positive

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Amartex-Industries-lenders-dec21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.