

Rating Advisory

October 08, 2021 | Mumbai

A.K.Spintex Limited

Advisory as on October 08, 2021

This rating advisory is provided in relation to the rating of A.K.Spintex Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Sustained growth in revenue (by over 20%) and stable operating margin, leading to higher cash accrual
- Better working capital management and sustenance of financial risk profile

Downward factors

- Stretch in working capital cycle
- Decline in revenue or operating profit, leading to net cash accrual below Rs 35 million
- Large debt-funded capital expenditure weakening the capital structure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from A.K.Spintex Limited (AKSL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If AKSL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About The Company

AKSL, incorporated in 1994, is owned and managed by Mr Prakash Chand and Mr Tilok Chand. The company processes synthetic and cotton grey fabric on job-work basis, and also undertakes dyeing and printing. The manufacturing facility is located in Bhilwara with an installed capacity of 48 lakh meters per month. The company is listed at Bombay Stock Exchange

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Rating Rationale

July 24, 2020 | Mumbai

A.K.Spintex Limited

'CRISIL BB+/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.9 Crore
Long Term Rating	CRISIL BB+/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB+/Stable**' rating to the long-term bank facilities of A.K.Spintex Limited (AKSL).

The rating reflects the extensive experience of the promoters, the company's established clientele and comfortable financial risk profile. These strengths are partially offset by the average scale of operations, and moderately large working capital requirement.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of the promoter:** The decade-long experience of the promoters, in the textile business, their strong understanding of market dynamics, and healthy relationships with customers and suppliers, will continue to support the business.

* **Comfortable financial risk profile:** Capital structure remains healthy, aided by lower reliance on external debt, also reflected in low total outside liabilities to tangible network (TOL/TNW) ratio of 1.13 times, for the three years ending March 31, 2020. Debt protection metrics have also been at adequate, aided by low leverage and steady operating margin. Interest coverage and net cash accrual to total debt (NCATD) ratios stood at 7.24 times and 0.56 time, respectively, for fiscal 2020.

Weaknesses

* **Average scale of operations:** Though revenue rose to around Rs 63 crore in fiscal 2020, from Rs 60 crore a year ago, scale of operations remains average. Operating performance in the first quarter of fiscal 2021, will also be impacted by the nationwide lockdown imposed by the Government of India, to contain the Covid-19 pandemic. Further, intense competition from other players operating in the vicinity, could restrict scalability. Significant scale up of operations, amidst sustained profitability, remains a key monitorable.

* **Moderately large working capital requirement:** Gross current assets have been in the range of 124 to 128 days, over the three fiscals ended March 31, 2020, mainly driven by receivables of around 90 days. Given the subdued demand scenario and pressure on cash flows, any further stretch in receivables could strain liquidity.

Liquidity Adequate

Liquidity is adequate, marked by sufficient cash accrual against the maturing debt and moderate bank limit utilisation. Cash accrual of Rs 5.7 crore sufficed to cover the maturing debt of Rs 1.2 crore. Expected accrual of Rs 4.5-6 crore, in the medium term, should also be comfortable, against maturing debt of Rs 1-1.5 crore. Bank limit utilisation was moderate, averaging 54% for the 12 months ended April 30, 2020. Current ratio stood at 1.36 times as on March 31, 2020.

Outlook: Stable

CRISIL believes AKSL will continue to benefit from the extensive experience of its promoters in the textile business, and established relationships with clients.

Rating Sensitivity Factors

Upward Factors

- * Sustained growth in revenue (by over 20%) and stable operating margin, leading to higher cash accrual
- * Better working capital management and sustenance of financial risk profile.

Downward Factors

- * Stretch in working capital cycle
- * Decline in revenue or operating profit, leading to net cash accrual below Rs 3.5 crore
- * Large debt-funded capital expenditure weakening the capital structure.

About the Company

AKSL, incorporated in 1994, is owned and managed by Mr Prakash Chand and Mr Tilok Chand. The company processes synthetic and cotton grey fabric on job-work basis, and also undertakes dyeing and printing. The manufacturing facility is located in Bhilwara with an installed capacity of 48 lakh meters per month. The company is listed at Bombay Stock Exchange.

Key Financial Indicators

As on/for the period ended March 31	Unt	2020	2019
Operating income	Rs.Crore	63.58	60.14
Reported profit after tax	Rs.Crore	2.00	1.26
PAT margins	%	3.14	2.10
Adjusted Debt/Adjusted Networkth	Times	0.48	0.70
Interest coverage	Times	7.08	5.58

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	7.5	NA	CRISIL BB+/Stable
NA	Term Loan	NA	NA	Aug-2022	1.5	NA	CRISIL BB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	9.00	CRISIL BB+/Stable		--	18-04-19	Withdrawn	21-06-18	CRISIL BB+/Stable	08-06-17	CRISIL BB+/Stable	CRISIL BB+/Stable

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	7.5	CRISIL BB+/Stable	Cash Credit	7.5	Withdrawn
Term Loan	1.5	CRISIL BB+/Stable	Term Loan	1.68	Withdrawn
Total	9	--	Total	9.18	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[The Rating Process](#)

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