

Rating Advisory

October 31, 2020 | Mumbai

Aditya Spinners Limited

Advisory as on October 31, 2020

This rating advisory is provided in relation to the rating of Aditya Spinners Limited

The key rating sensitivity factors for the rating include:

Upward scenario

- Revenue growth of 20-25% along with improvement in operating margin to 7.5-8.0%
- Significant improvement in financial risk profile, driven by equity infusion

Downward scenario

- Decline in revenue and/or profitability lowering net cash accrual to below Rs 17.5 million
- Significant stretch in working capital cycle mainly because of delays in realisation of receivables

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 is yet to receive adequate information from Aditya Spinners Limited (ASL) to enable it to undertake a rating review. CRISIL 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 views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If ASL continues to delay the provisioning of information required by CRISIL 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 will carry out the review based on best available information and issue a press release.

About The Company

Chittoor (Andhra Pradesh)-based ASL was incorporated in 1991, and promoted by Mr K Vijay Kumar and Ms K V Naga Lalitha. It manufactures synthetic yarn. The company is listed on the Bombay Stock Exchange.

ASL reported profit after tax of Rs 9.9 million on revenue of Rs 434.6 million in the first nine months ended December, 2019, as against net loss of Rs 1.2 million on revenue of Rs 461.5 million in the corresponding period of the previous fiscal.

Please note: This advisory should not be construed as a rating reaffirmation.

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Rating Rationale

February 26, 2020 | Mumbai

Aditya Spinners Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.12 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB/Stable' rating on the long-term bank facilities of Aditya Spinners Limited (ASL).

The rating continues to reflect the extensive experience of ASL's promoters and their funding support, efficient working capital management and moderate financial risk profile. These strengths are partially offset by the modest scale of operations in an intensely competitive industry, and susceptibility to volatility in raw material prices.

Analytical Approach

Unsecured loans of Rs 7.91 crore (as on March 31, 2019) from the promoters & related parties, have been treated as neither debt nor equity as these are expected to be retained in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths:

*** Promoters' extensive experience in the polyester and viscose yarn industry:** ASL was established in 1991 and taken over by the present management in 2005. Over the past 15 years, the management has turned around the company from a sick unit to a professionally run business, and has gained extensive experience in the man-made fibre segment. Further, need-based funding support from the promoters is expected to continue.

*** Efficient working capital management:** Working capital requirements are efficiently managed, with gross current assets, inventory, and debtors of 57, 23, and 26 days, respectively, as on March 31, 2019.

*** Moderate financial risk profile:** Financial risk profile is marked by a moderate capital structure, with networth and gearing expected at Rs 13.24 crore and 0.98 time, respectively, on March 31, 2020. Interest coverage ratio is expected at 2.2 times in fiscal 2020.

Weaknesses:

*** Exposure to intense competition in the polyester and viscose yarn industry:** Intense competition constrains bargaining power with customers. The large and fully integrated players command pricing power, while medium-sized and smaller players such as ASL are generally price followers and face risks related to decisions taken by larger players.

***Susceptibility to volatility in raw material prices:** The textile industry's profitability is highly correlated with fluctuations in raw material prices. Raw material costs have accounted for 50-55% of ASL's revenue in the five fiscals ended 2019. Further, the company does not have any long-term contracts with suppliers with regard to either quantity or price.

Liquidity Adequate

Liquidity is expected to be adequate because of sufficient net cash accrual against maturing debt, modest capital expenditure and moderately utilised bank limit. Net cash accrual, expected at Rs 2.4-2.8 crore per annum should comfortably cover maturing debt of Rs 1.54 crore. Bank limit utilisation was moderately high at 86% over the 12 months through November, 2019.

Outlook: Stable

CRISIL believes ASL will continue to benefit from the extensive experience of its promoters, and established relations with customers.

Rating Sensitivity factors

Upward Factors:

- * Revenue growth of 20-25% along with improvement in operating margin to 7.5-8.0%
- * Significant improvement in financial risk profile, driven by equity infusion

Downward Factors:

- * Decline in revenue and/or profitability lowering net cash accrual to below Rs 1.75 crore
- * Significant stretch in working capital cycle mainly because of delays in realisation of receivables

About the Company

Chittoor (Andhra Pradesh)-based ASL was incorporated in 1991, and promoted by Mr K Vijay Kumar and Ms K V Naga Lalitha. It manufactures synthetic yarn. The company is listed on the Bombay Stock Exchange.

ASL reported profit after tax of Rs 99 lakh on revenue of Rs 43.46 crore in the first nine months ended December, 2019, as against net loss of Rs 12 lakh on revenue of Rs 46.15 crore in the corresponding period of the previous fiscal.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	61.32	54.14
Profit After Tax (PAT)	Rs crore	0.91	0.04
PAT Margin	%	1.5	0.07
Adjusted Debt/Adjusted Networkth	Times	0.98	0.8
Interest Coverage	Times	2.21	2.24

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs cr)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	5.0	CRISIL BB/Stable
NA	Long Term Loan	NA	NA	Apr-2023	4.56	CRISIL BB/Stable
NA	Proposed Cash Credit Limit	NA	NA	NA	0.75	CRISIL BB/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1.69	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	12.00	CRISIL BB/Stable					21-11-18	CRISIL BB/Stable	29-08-17	CRISIL BB/Stable	--
								31-08-18	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	5	CRISIL BB/Stable	Long Term Loan	6.99	CRISIL BB/Stable
Long Term Loan	4.56	CRISIL BB/Stable	Proposed Long Term Bank Loan Facility	.26	CRISIL BB/Stable
Proposed Cash Credit Limit	.75	CRISIL BB/Stable	Secured Overdraft Facility	4.75	CRISIL BB/Stable
Proposed Long Term Bank Loan Facility	1.69	CRISIL BB/Stable	--	0	--
Total	12	--	Total	12	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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

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