

Press Release

Aditya Translink Private Limited (ATPL)

19 January, 2017

Rating Assigned

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs.29.00 Cr |
| Long Term Rating | SMERA BBB-/Stable (Assigned) |
| Short Term Rating | SMERA A3 (Assigned) |

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.29.00 crore bank facilities of Aditya Translink Private Limited (ATPL). The outlook is '**Stable**'.

The company, promoted by Mr Sunil Chand Osatwal, and Mr Radhey Shyam Poddar, is engaged in the manufacture of jute fabrics, yarns and bags.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoters, Mr Radhey Shyam Poddar, and Mr Sunil Chand Osatwal have more than two decades of experience in the jute industry.

Average financial risk profile: The average financial risk profile is marked by moderate gearing and net worth apart from healthy debt protection metrics. The debt equity stood at 1.37 times and the net worth, at a moderate level of Rs.17.20 crore in FY2016. The high gearing in FY2016 was a result of high short term borrowings. The high balance of short term borrowings was just a year-end phenomenon owing to bank reconciliations. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.24 times and interest coverage at 6.47 times in FY2016.

Comfortable liquidity position: The comfortable liquidity position is marked by 40 per cent utilisation of cash credit facility in the last six months ended November 2016. Moreover, the company has adequate net cash accruals of Rs.5.68 crore with no major debt obligations. The unencumbered cash balance stood at Rs.5.53 crore as on 31 March, 2016.

Established relationships with customers and suppliers: ATPL largely caters to government agencies and Food Corporation of India (FCI) of various states including Bihar, Madhya Pradesh, Punjab, Chattisgarh. Besides, it also exports to Africa, Thailand, USA with the balance sold in the local market.

Weaknesses:

Working capital intensive operations: The working capital intensive operations are marked by high gross current asset days of 151 in FY2016. The inventory days are high at 84 due to high quantity of raw jute which needs to be maintained. While the debtor days are low at 37 days, the creditor days are high at 139 in FY2016.

Labour intensive business: The labour-intensive jute industry in eastern India is also vulnerable to labour unions and strikes that affect productivity.

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that ATPL will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the jute industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while efficiently managing its working capital. Conversely, the outlook may be revised to 'Negative' if it fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated entity

The West Bengal-based ATPL, (the erstwhile Shyamnagar Jute Mill Co. Limited) incorporated in 1995 is engaged in the manufacture of jute fabrics, yarns and bags. The company was promoted by Mr Sunil Chand Osatwal and Mr Radhey Shyam Poddar and the day-to-day operations are managed by Mr Sumant Poddar. The installed capacity stands at 140 tonnes per day. Sacking products constitute around 80 per cent of the company's sales and hessian accounts for the balance 20 per cent.

For FY2015–16, the company reported Profit After Tax (PAT) of Rs.4.37 crore on total operating income of Rs.218.12 crore as compared to net loss of Rs.6.01 crore on total operating income of Rs.190.72 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 | 8.50 | SMERA BBB-/Stable (Assigned) | - | - | - | - | - | - |
| Term Loan | LT | 4.00 | SMERA BBB-/Stable (Assigned) | - | - | - | - | - | - |
| EBP/EBD/IBP /IBD | ST | 2.50 | SMERA A3 (Assigned) | - | - | - | - | - | - |
| Bank Guarantee | ST | 6.50 | SMERA A3 (Assigned) | - | - | - | - | - | - |
| Letter of Credit | ST | 7.50 | SMERA A3 (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 | 8.50 | SMERA BBB-/Stable (Assigned) |
| Term Loan | N.A | N.A | N.A | 4.00 | SMERA BBB-/Stable (Assigned) |
| EBP/EBD/IBP/IBD | N.A | N.A | N.A | 2.50 | SMERA A3(Assigned) |
| Bank Guarantee | N.A | N.A | N.A | 6.50 | SMERA A3 (Assigned) |
| Letter of Credit | N.A | N.A | N.A | 7.50 | SMERA A3 (Assigned) |

Note on complexity levels of the rated instrument:

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

Contacts:

| Analytical | Rating Desk |
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| Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smerra.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smerra.in |
| Ms Shreya Vaidya, Rating Analyst, Tel: 033-66201217 Email: shreya.vaidya@smerra.in | |

ABOUT SMERA

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