

## Press Release

### Aditya Translink Private Limited

July 15, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated</b>	Rs. 29.00 crore
<b>Long Term Rating</b>	ACUITE BBB-/ Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.29.00 crore bank facilities of ADITYA TRANSLINK PRIVATE LIMITED (ATPL). The outlook is '**Stable**'.

The reaffirmation of the rating reflects sustenance of growth in its revenues, healthy financial risk profile and efficient working capital management. ATPL has reported growth in its revenues at 14 per cent in FY2019 over FY2018, though the same is below-expectations of Acuité. Its financial risk profile is healthy marked by lowly leveraged capital structure with moderate bank limit utilisation. However, the ratings are constrained by labour intensive operations.

ATPL was incorporated as a Kolkata based company in 1995. Currently, the Directors are Mr. Pawan Kumar Agarwal, Mr. Sunil Chand Osatwal, and Mr. Sumant Poddar. The promoters of the company have taken control of the 100-year-old jute unit under the company 'Shyamnagar Jute Mill Co. Limited'. The factory is located at Bhadreswar in the district of Hooghly, West Bengal. The unit has facilities to manufacture jute fabrics, jute yarns and jute bags with an installed capacity of 52,000 MT per annum.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of ATPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operations**

The promoters of the company have taken control of the 100-year-old jute unit – Shyamnagar Jute Mill Co. Limited, owned by Mr. Thomas Duff. The promoters of the company have more than two decades of experience in the jute industry.

- **Established relationship with customers and suppliers**

Out of its total sales, around 70 per cent of the revenues are from supplies to Food Corporation of India's (FCI) branches or warehouses across the states of Bihar, Madhya Pradesh, Punjab, Chattisgarh among others. Around 20 per cent is sold locally to cotton, cattle feed and tobacco manufacturers. The company also exports to countries such as Africa, Thailand, USA, among others and exports constitute around 10 per cent of their total revenues. Acuité believes that though there is a revenue concentration with FCI for over 70 per cent, the longstanding presence in the industry for over a century and established relationships are expected to mitigate the supplier concentration and, improvement of its business risk profile over the medium term.

- **Healthy financial risk profile**

The financial risk profile of the company is marked by healthy gearing (debt-to-equity), comfortable total outside liabilities to tangible net worth (TOL/TNW) and strong debt protection metrics. Its gearing and TOL/TNW are at 0.51 and 3.73 times in FY2019 (provisional) compared to 0.76 and 4.13 times in FY2018. The net worth of the company is moderate at Rs.22.50 crore in FY2019 (provisional) though improved from Rs. 20.20 crore in FY 2018. The debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are strong at 11.42 and 0.32 times in FY2019

(provisional) compared to 6.44 and 0.17 times in FY2018. This is mainly on account of increase in the net cash accruals owing to the increase in the revenues and profitability. Acuite believes that the financial risk profile is expected to improve basis the moderate accruals and absence of significant capex plans.

• **Efficient working capital management**

The company's working capital operations are efficiently managed with Gross Current Asset (GCA) of 111 days in FY2019 (provisional) compared to 138 days in FY2018. The GCA days comprise inventory of 61 days in FY2019 (provisional) compared to 57 days in FY2018, mainly because of procurement of key raw material, i.e. raw jute from several traders. The debtor days stood comfortable at 26 days for FY2019 (provisional) and same as that in FY2018, majorly because of the early realisation of receivables from key customers. This results in moderate utilisation of its bank lines at below 50 per cent. Acuite believes that its operations continue to be at efficient levels, basis early realisation and moderate inventory levels.

**Weaknesses**

• **Labour intensive nature of operations**

Jute industry is one of the oldest industries and it is the most labour intensive industry in eastern India. It also remains vulnerable to labour unions and strikes, which affects the productivity of the mills. The minimum basic wage per day varies between Rs. 370 per day currently, which increased from Rs. 257 per day in the earlier year. The employee cost constitutes a large portion, apart from raw material cost and it has been varying between 26-28 per cent ended as on FY19 (provisional).

**Liquidity Position:**

ATPL's liquidity profile is adequate marked by comfortable net cash accruals as against no major maturing debt obligations. The company generated cash accruals of Rs.2.43-3.65 crore during the last three years through 2018-19 (provisional), while its maturing debt obligations were in the range of Rs.0-0.11 crore over the same period. Its operations are efficiently managed with GCA of about 111 days in FY2019 (provisional), resulted in moderate utilisation at below 50 per cent, though peak utilisation ranges upto 90 per cent. The company maintains unencumbered cash and bank balances of Rs.0.89 crore as on March 31, 2019 (provisional). The current ratio of the company stood modest at 1.06 times as on March 31, 2019 (provisional) due to high outstanding provisions for gratuity and others. Acuite believes that the liquidity of the company is likely to remain comfortable over the medium term on account of comfortable cash accrual and no major repayments and capex plans over the medium term.

**Outlook: Stable**

Acuite believes that ATPL will maintain 'Stable' outlook over the medium term from healthy financial risk profile and promoters longstanding presence in the industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if there is any stretch in its working capital management or larger-than-expected debt-funded capex leading to deterioration of its financial risk profile, and more particularly liquidity.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	276.73	241.84	259.36
EBITDA	Rs. Cr.	2.69	2.35	1.82
PAT	Rs. Cr.	2.30	1.31	1.15
EBITDA Margin	(%)	0.97	0.97	0.70
PAT Margin	(%)	0.83	0.54	0.44
ROCE	(%)	7.40	5.67	5.67
Total Debt/Tangible Net Worth	Times	0.51	0.76	0.22
PBDIT/Interest	Times	11.42	6.44	4.17
Total Debt/PBDIT	Times	2.92	5.16	1.32
Gross Current Assets (Days)	Days	111	138	85

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-19.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Apr-2018	Cash credit	Long Term	8.50	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.92	ACUITE BBB-/Stable (Reaffirmed)
	EBP/EBD/IBP/IB D	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Proposed	Long Term	2.08	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
19-Jan-2017	Cash credit	Long Term	8.50	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BBB-/Stable (Assigned)
	EBP/EBD/IBP/IB D	Short Term	2.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.92	ACUITE BBB-/Stable (Reaffirmed)
EBP/EBD/IBP/IBD	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.08	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A3 (Reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A3 (Reaffirmed)
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### About Acuité Ratings & Research:

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