

Press Release

Aditya Translink Private Limited

January 04, 2021

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 25.00 crore (Reduced from Rs 29.00 crore)
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* 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**) on the Rs 25.00 crore bank facilities of Aditya Translink Private Limited (ATPL). The outlook is '**Stable**'.

Incorporated in 1995, Aditya Translink Pvt. Limited (ATPL) is a Kolkata-based company. The company is engaged in manufacturing of Jute Yarn, Jute Fabrics, Jute Bags and various types of jute products as per customer order and specifications for which the manufacturing unit is located in Bhadreswar, West Bengal. Currently, the company is managed by Mr. Pawan Kumar Agarwal, Mr. Sunil Chand Osatwal, Mr. Sumant Poddar and Ms. Ankita Bagaria. The current promoters of the company have taken control of the 100-year-old jute unit under the company 'Shyamnagar Jute Mill Co. Limited' which was owned by Mr. Thomas Duff.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

Incorporated in 1995, the company has long operational track record of operations of more than two decades in the jute industry. The promoters Mr. Pawan Kumar Agarwal, Mr. Sunil Chand Osatwal, Mr. Sumant Poddar and Ms. Ankita Bagaria, have experience of more than two decades in the business. The promoters of the company have taken control of the 100-year-old jute unit under the company 'Shyamnagar Jute Mill Co. Limited' which was owned by Mr. Thomas Duff. The long track record of operations and experience of management has helped the company develop healthy relationships with its customers and suppliers. Acuité believes that ATPL will sustain its existing business profile on the back of an established track record of operations and experienced management.

• Healthy financial risk profile

The financial risk profile of the company stood healthy marked by its modest network, low gearing level and strong debt protection metrics. The tangible network stood at Rs 17.10 crore as on 31st March, 2020 as compared to Rs 21.42 crore in the previous year. The decrease was mainly due to unprovided liability of leave benefits based on actuarial valuation upto 31st March, 2019 amounting to Rs 6.49 crore. The gearing (debt-equity) stood healthy at 0.23 times in FY 2020 as compared to 0.57 times in the previous year. Total debt of Rs 3.88 crore as on 31st March, 2020 consist of working capital borrowings of Rs 1.96 crore, unsecured loans from directors and promoters of Rs 1.00 crore and term loan of Rs 0.92 crore. The coverage indicators are marked by Interest coverage ratio (ICR) which stood at 6.45 times for FY 2020 as compared to 2.07 times in FY 2019. Debt service coverage ratio (DSCR) stood at 3.72 times in FY 2020 as compared to 1.81 times in FY 2019. Net cash accruals to total debt (NCA/TD) stood at 0.99 times in FY 2020 as against 0.26 times in FY 2019. The Debt-EBITDA stood at 0.55 times in FY 2020. The financial risk profile is expected to remain at similar levels on account of absence of any debt funded capex plan over the medium term.

• Prudent working capital operations

The operations of ATPL are working capital well managed marked by GCA (Gross Current Assets) Days of

99 days in FY 2020 as compared to 117 days in the previous year in FY 2019. The inventory days stood at 47 days in FY 2020 as compared to 59 days in the previous year. The debtor days stood well managed at 23 days in FY 2020 as compared to 26 days in FY 2019. Other Current Assets as on 31st March, 2020 (Provisional) stood at Rs 24.32 crore which mostly consists of loans and advances of Rs 20.99 crore. The working capital limits remained utilized at around 83 percent for 6 months ended October, 2020. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

Weaknesses

- **Raw material price volatility due to seasonal nature**

The key raw material of the company is raw jute fibre. The raw material cost constitutes around 70 percent of the total sales. Price of jute is highly volatile in nature due to seasonal availability of raw jute and the jute production is highly susceptible to agro-climatic conditions. Thus any adverse movement of jute prices impacts profitability.

- **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 employee cost constitutes a large portion, apart from raw material cost and it has been varying between 22-26 percent in the last three financial years.

Rating Sensitivity

- Improvement in revenue sustaining profitability
- Sustenance in capital structure

Material Covenants

None

Liquidity Profile: Adequate

ATPL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 2.62-3.86 crore in FY 2018-2020 against maturing debt obligations of Rs. 0.28-0.36 crores over the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.91-4.96 crore during 2021-23. The current ratio stood at 1.07 times as on March 31, 2020. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 99 days in FY 2020 as compared to 117 days in FY 2019. The company maintained unencumbered cash and bank balances of Rs. 0.32 crore as on March 31, 2020. The working capital limits remained utilized at around 83 percent for 6 months ended October, 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuite believes that Aditya Translink Private Limited's outlook will remain 'Stable' over the medium term from its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while sustaining its financial risk profile. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or further increasing working capital intensity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	298.66	277.87
PAT	Rs. Cr.	2.42	1.76
PAT Margin	(%)	0.81	0.63
Total Debt/Tangible Net Worth	Times	0.23	0.57
PBDIT/Interest	Times	6.45	2.07

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Jul-2019	Cash Credit	Long Term	8.50	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.92	ACUITE BBB-/Stable (Reaffirmed)
	Proposed	Long Term	2.08	ACUITE BBB-/Stable (Reaffirmed)
	EBP/EBD/IBP/IBD	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
25-Apr-2018	Cash Credit	Long Term	8.50	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.92	ACUITE BBB-/Stable (Reaffirmed)
	Proposed	Long Term	2.08	ACUITE BBB-/Stable (Reaffirmed)
	EBP/EBD/IBP/IBD	Short Term	2.50	ACUITE A3 (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/IBD	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	19-Mar-2020	Not Applicable	Not Applicable	8.50	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	28-Apr-2020	Not Applicable	28-Apr-2022	1.00	ACUITE BBB-/Stable (Reaffirmed)
EBP/EBD/IBP/IBD	19-Mar-2020	Not Applicable	Not Applicable	1.50	ACUITE A3 (Reaffirmed)
Bank Guarantee	19-Mar-2020	Not Applicable	Not Applicable	6.50	ACUITE A3 (Reaffirmed)
Letter of Credit	19-Mar-2020	Not Applicable	Not Applicable	7.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research

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