

Press Release

Aditya Translink Private Limited

March 14, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB+ Negative Downgraded Stable to Negative	-
Bank Loan Ratings	14.00	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.25.00 Cr bank facilities of Aditya Translink Private Limited (ATPL). The outlook is revised to '**Negative**'.

The rating downgrade is driven by an overall deterioration in business risk profile of the company marked by 24 per cent decrease in their scale of operation in FY21 and further expected decline in the current year. Also, absolute EBITDA and PAT stood negative in FY21 and in the current year till Dec'21 in comparison to Rs.4.74 Cr EBITDA in FY20. Further, steep y-o-y reduction in the networth base due to unprovided liability of gratuity and leave benefits based on actuarial valuation upto 31st March, 2019 amounting to Rs.6.73 Cr each year, has adversely impacted the company's financial risk position, which in turn has led to a stretch in the liquidity position of the company. The company has halted production from Jan'22 till date due to operating losses and labour strikes.

The outlook revision takes cognizance of the frequent labour issues in the jute manufacturing sector and the on-going pricing ceiling on raw jute which has led to shortage of raw jute in the country. In addition, company expects to avail bank debt of around Rs.12 Cr for its capital expenditure plan in FY23 and continue to create provision for unprovided liability, which is expected to further deteriorate the capital structure of the company.

The rating continues to reflect the extensive experience of the management and an established track record of operations. However, these strengths are partially offset by working capital intensity and labour intensive nature of business along with high volatility and Govt. regulations in the input prices.

About the Company

Incorporated in 1995, Aditya Translink Pvt. Limited (ATPL) is a Kolkata based company,

engaged in manufacturing of Jute Yarn, Jute Fabrics, Jute Bags and various types of jute products as per customer order and specifications. ATPL's manufacturing unit is located in Bhadreswar, West Bengal. Currently, the company is headed Mr. Sumant Poddar and Mr. Sunil Chand Osatwal. To establish ATPL, the promoters of the company had taken control of a 100-year-old jute unit under the company 'Shyamnagar Jute Mill Co. Limited'.

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 promoter directors, Mr. Sunil Chand Osatwal and Mr. Sumant Poddar have a long experience spanning over two decades. To establish ATPL, the promoters of the company had taken control of a 100-year-old jute unit under the company 'Shyamnagar Jute Mill Co. Limited'. Acuité believes that the long track record of operations and experience of management has helped the company develop healthy relationships with its customers and suppliers and will continue to support the business going forward.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 141 days as on 31st March 2021 as compared to 99 days as on 31st March 2020. The GCA days increased majorly due to stretch in the inventory holding period which stood at 73 in FY21 as compared to 47 days in FY20. The inventory days elongated as company was affected due to pandemic and company could not make enough sales in Q4FY21 due to high labour migration and hence paucity of labour. The debtor period is comfortable at 22 days in FY21 as compared to 23 days in the previous period. Acuité believes that the working capital operations of the company will remain at similar levels over the medium term.

Average financial risk profile

The company's average financial risk profile is marked by modest network, moderate gearing and moderate debt protection metrics. The tangible net worth of the company decreased to Rs.9.39 Cr as on March 31, 2021 from Rs.17.10 Cr as on March 31, 2020. The decrease was mainly due to unprovided liability of gratuity and leave benefits based on actuarial valuation upto 31st March, 2019 amounting to Rs.6.73 Cr. Gearing of the company stood at 1.04 times as on March 31, 2021 as against 0.23 times as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) increased to 10.72 times as on March 31, 2021 from 5.00 times as on March 31, 2020. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 3.25 times and Debt Service Coverage Ratio (DSCR) at 1.15 times as on March 31, 2021. NCA/TD stood at 0.05 times in FY2021. Going forward, Acuité believes that the financial risk profile of the company will deteriorate with decreasing network base due to unprovided liability and also since the management is planning to undergo a capex to be undertaken primarily through external borrowings.

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 65 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.

Rating Sensitivities

- Ramp-up in the scale of operations while generating profits
- Improvement in the capital structure
- Elongation in the working capital cycle

Material covenants

None

Liquidity Position: Stretched

The company's liquidity position is stretched marked by net cash accruals of only Rs.0.53 Cr as on March 31, 2021 as against long term debt repayment of Rs.0.36 Cr over the same period. The company's payables are increasing for unprovided liability for Gratuity and leave benefits whereas the internal accruals are miniscule. The current ratio stood moderate at 1.15 times as on March 31, 2021, same as the previous period. The company has unencumbered cash and bank balance of around Rs.0.33 Cr as on 31st March, 2021. The company has availed a Covid loan. However, the fund based limit remained moderately utilised at 49 per cent over seven months ended January, 2022. Going forward, Acuite believes the company's ability to improve its liquidity position will remain a key monitorable.

Outlook: Negative

Acuite has revised the outlook to 'Negative' on account of expected deterioration in the company's business and financial risk position, going forward. The operating losses and deterioration in the capital structure with ever increasing payables for gratuity and leave benefits can impinge on the near term performance of the company. The outlook may be revised to 'Stable' in case the company registers significant growth in its revenue, profitability levels and improvement in its capital structure.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	227.24	298.66
PAT	Rs. Cr.	(0.86)	2.42
PAT Margin	(%)	(0.38)	0.81
Total Debt/Tangible Net Worth	Times	1.04	0.23
PBDIT/Interest	Times	3.25	6.45

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

- CRISIL, vide its press release dated Jan 30, 2018 had denoted the rating of Aditya Translink Private Limited as 'CARE B/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jan 2021	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	1.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	8.50	ACUITE BBB- Stable (Reaffirmed)
15 Jul 2019	Cash Credit	Long Term	8.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.92	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	2.08	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	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)
	Post Shipment Credit	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Proposed Term Loan	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	Letter of Credit	Short Term	7.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	8.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Short Term	2.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ Downgraded (from ACUITE A3)
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.30	ACUITE BB+ Negative Downgraded Stable to Negative (from ACUITE BBB-)
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4+ Downgraded (from ACUITE A3)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE BB+ Negative Downgraded Stable to Negative (from ACUITE BBB-)
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.79	ACUITE BB+ Negative Downgraded Stable to Negative (from ACUITE BBB-)

*EBP/EBD/IBP/IBD of Rs.1.50 Cr – Sublimit of Cash Credit

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About Acuité Ratings & Research

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