



**Press Release**  
**Aditya Translink Private Limited**  
**May 26, 2023**  
**Rating Downgraded and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB   Negative   Downgraded	-
Bank Loan Ratings	14.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	25.00	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and reaffirmed the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 25.00 Cr bank facilities Aditya Translink Private Limited (ATPL). The outlook remains '**Negative**'.

**Rationale for the downgrade**

The rating downgrade factors in the erosion of net worth due to continuous losses in the operations of the company in FY2022 and FY2021 led by subdued performance coupled with losses of the company over the period. The networth of the company is also estimated to remain negative in FY2023 (Provisional) despite an improvement in profitability during the same period. The rating is further constrained by the below average financial risk profile of the company and the seasonal nature of operations; operating volumes susceptible to the demand-supply dynamics of raw jute. The outlook continues to be 'negative' majorly on account of continuous deterioration in networth led by operating losses and continuous provisions for unprovided liability.

However, the rating derives comfort from the management's long track record in the sector and improvement in operations during FY2023 (Estimated).

**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**

Acuite 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 had taken control of a 100-yearold 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 the established track record of operations and experienced management will support the company, going forward

- **Improvement in scale of operations**

The operations of the company witnessed improvement in FY2023 after witnessing significant impact from covid-19 pandemic, labour issues and shutdown of mills during FY2022. The revenue from operations of the company stood at Rs.240.27 Cr. in FY2023 (Provisional) as against Rs.192.20 Cr. in FY2022 due to stabilization of operations owing to availability of labour and also supported by healthy demand of its products. However, the revenues remain lower compared against pre-covid levels of Rs.298.66 Cr in FY2020.

Furthermore, the profitability of the company improved reflected by positive operating profit of Rs.3.91 Cr. in FY2023 (Provisional) compared against operating loss of Rs.5.48 Cr. in FY2022.

Acuité believes that the sustainability in improvement of operations and profitability will continue to remain a key monitorable going ahead for the company.

### **Weaknesses**

- **Below average financial risk profile**

The company's below average financial risk profile is marked by continuous erosion of net worth due to operational losses and provisions created for unprovided liabilities. The net worth of the company stood negative at Rs.3.05 Cr. as on March 31, 2022 as against Rs.9.39 Cr. in the previous year FY 2021. The decrease was mainly due to unprovided liability of gratuity with leave benefits and losses incurred by the company in FY2022. The net worth of the company is estimated to remain negative in FY2023 as well. Going forward, the financial risk profile is expected to remain below average despite improvement in profitability in FY2023 due to debt funded capex plans of the company. However, the company has infused unsecured loans to the tune of Rs.37.43 Cr. from various related parties and corporates for their working capital requirement and debt obligations during FY2022.

In order to increase the value chain and improve profitability, the company had undertaken planned capex in Aditya Translink Private Limited(AIPL) to replace the old jute manufacturing machinery with updated ones, which will be funded majorly through internal accruals. The total expenditure involved is Rs.18 Cr which will be partly funded through internal accruals to the tune of Rs.16 Cr and remaining from the external borrowings from the banks. The installed capacity will increase to around 50,000 tons annually from 46,000 tons currently.

Acuité believes that the improvement in financial risk profile of the company will going to be a key rating sensitivity over the medium term.

- **Working capital intensive nature of operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 126 days for FY2022 as against 141 days for FY2021. The GCA days are high on account of loans and advances provided by the company to other group companies. Further, the high inventory levels stood at 54 days for FY2022 as against 73 days for FY2021. However, the debtor levels stood comfortable at 2 days for FY2022 as against 22 days for FY2021. Acuite expects the operations of the company to remain working capital intensive of the company

- **Seasonal nature of operations; operating volumes susceptible to the demand supply dynamics of raw jute**

MSP operations are influenced by the volatility in the raw jute prices arising from the demand supply gap and production. At times, MSP is in force throughout the season when there is a good harvest, while some seasons experience no MSP operations at all. Such variability has impacted ATPL's scale of operations in the past and is expected to be the primary factor affecting the revenues, going forward.

### **Rating Sensitivities**

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

### **Material covenants**

None

### **Liquidity Position**

#### **Stretched**

The company has stretched liquidity profile marked by net cash losses incurred in FY2022 and matured debt obligations during the same period. The company incurred net cash loss of Rs.4.32 Cr. in FY2022 against obligations of Rs.0.81 Cr. during the same period. The net cash accruals of the company is however improved to Rs.4.04 Cr. in FY2023 (Provisional). Also, the company has infused unsecured loans to the tune of Rs.37.43 Cr. from various related parties and corporates for their working capital requirement and debt obligations during FY2022. The unencumbered cash and bank balances of the company stood at Rs.0.21 crores as on March 31, 2022. However, the current ratio stood comfortable at 2.36 times as on March 31, 2022. Further, the fund based limits remain utilized at about 67.11% over six month ended March 2023. Going forward, Acuité believes the company's ability to improve its liquidity position will remain a key monitorable.

### **Outlook: Negative**

Acuité believes that the outlook of the company would remain 'Negative' if ATPL's financial risk profile, Acuité believes that the outlook of the company would remain 'Negative' on account of continuous deterioration in the company's financial risk profile led by erosion of net worth. The outlook may be revised to 'Stable' in case the company registers significant growth in its revenue along with profitability and improvement in its capital structure including networth. The outlook may be revised to 'Positive' if the company significantly scales up its operations while improving its revenues, capital structure, working capital management, and net cash accruals while maintaining healthy buffers in their working capital limits.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	192.20	227.24
PAT	Rs. Cr.	(5.69)	(0.86)
PAT Margin	(%)	(2.96)	(0.38)
Total Debt/Tangible Net Worth	Times	(15.74)	1.04
PBDIT/Interest	Times	(1.06)	3.25

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

Not Applicable

### Any other information

None

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Mar 2022	Bank Guarantee	Short Term	6.50	ACUITE A4+ (Downgraded from ACUITE A3)
	Term Loan	Long Term	0.79	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	7.50	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	0.91	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	9.30	ACUITE BB+   Negative (Downgraded from ACUITE BBB-   Stable)
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)

## Annexure - Details of instruments rated

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

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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