

## Press Release

Aether Industries Limited

February 23, 2022



### Rating Reaffirmed & Withdrawn

| Product                               | Quantum<br>(Rs. Cr) | Long Term Rating                        | Short Term Rating                     |
|---------------------------------------|---------------------|---|---------------------------------------|
| Bank Loan Ratings                     | 179.17              | ACUITE BBB+   Reaffirmed<br>& Withdrawn | -                                     |
| Bank Loan Ratings                     | 24.00               | -                                       | ACUITE A2   Reaffirmed<br>& Withdrawn |
| Total Outstanding<br>Quantum (Rs. Cr) | 0.00                | -                                       | -                                     |
| Total Withdrawn<br>Quantum (Rs. Cr)   | 203.17              | -                                       | -                                     |

### Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.203.17 crore bank facilities of Aether Industries Limited (AIL).

The rating is being withdrawn on account of the request received from the company and the NOC received from the bankers as per Acuite's policy on withdrawal of ratings.

### About the Company

Aether Industries Limited (AIL) is a Surat based company, incorporated in 2013 by Mr. Ashwin Desai and family. The company is engaged in the manufacturing of specialty chemicals. Further, it also provides contract research and manufacturing services (CRAMS). AIL has two manufacturing units located in Surat with a total installed capacity of 3000 MT for specialty chemicals and 120 MT facility for CRAMS.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of AIL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### > Experienced management and reputed clientele

AIL is promoted by Mr. Ashwin Desai, Mrs. Purnima Desai (his wife) and their sons, Mr. Rohan Desai and Mr. Aman Desai. The family has been associated with the chemical industry for more than four decades with Mr. Ashwin Desai being the founder of Anupam Rasayan (India) Limited (ARIL), which is also in the manufacturing of chemicals. The extensive experience of the promoters in the company's line of business has helped AIL maintain healthy and long standing relations with its customers and suppliers, which in turn, has helped the company secure repeat orders. The key customers of the company include reputed names like Byk Chemie GmbH, Divis Laboratories Limited, Sun Pharmaceutical Industries Limited and Aarti Drugs Limited, to name a few.

Acuite believes that the company will be able to generate a healthy growth in revenues backed by an increase in capacity utilization and repeat orders from customers.

### > **Healthy Financial risk profile**

The company's financial risk profile has remained healthy marked by high net worth, moderate gearing and strong debt protection metrics. The net worth of the company stood at Rs.186.48 Cr as on March 31, 2021 as against Rs.113.93 Cr as on March 31, 2020. The net worth also includes an unsecured loan from directors and related parties amounted to Rs.12.57 Crore as that amount will sustain in the business for the long run. The gearing level (debt-equity) stood at 1.03 times as on March 31, 2021 as against 1.17 times as on March 31, 2020. The total debt of Rs.192 Crore as on March 31, 2021 consists of long term debt of Rs.124.64 Cr and working capital borrowings of Rs.67.36 Crore. The interest coverage ratio (ICR) stood at 10.50 times in FY2021 as against 8.60 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio increased to 0.42 times in FY2021 as against 0.35 times in FY2020. Debt to EBITDA stood at 1.67 times in FY2021 as against 1.85 times in FY2020.

Acuité expects the financial risk profile of the company to remain healthy over the medium term on account of healthy accretion to reserves and strong debt protection metrics, leading to lower reliance on external borrowings.

### > **Significant growth in operating income and profitability:**

The Company's growth trend in operating income and profitability continued in FY2021, as it generated revenues of Rs. 452.06 Cr in FY2021 as against Rs.301.87 Cr in FY2020 and Rs.201.93 Crore in FY2019. The operating profitability improved to 25.54 percent in FY2021 as against 23.44 percent in FY2020 and 22.14 percent in FY2019. The growth in revenues and profitability is driven by increase in demand for new products offered by ALL, improved yields from inputs and commencement of inhouse solvent removal plant which led to significant reduction in job-work costs borne by the Company. ALL has done a revenue of Rs. 333.38 Cr in 7MFY2022 and earned operating margins of ~29.16 percent during the same period.

### **Weaknesses**

#### > **Working capital intensive nature of operations**

The operations of the Company remain working capital intensive, marked by Gross Current Assets (GCA) of 168 days as on March 31, 2021 as against 179 days as on March 31, 2020. The inventory and debtor days stood at 92 days and 87 days respectively as on March 31, 2021 as against 114 days and 74 days respectively as on March 31, 2020. The company has to maintain huge inventory because of the variety of products it procures. Besides, the company also imports chemicals in bulk. The creditor days stood at 66 days as on March 31, 2021 as against 77 days as on March 31, 2020.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term mainly on account high inventory holding period.

#### > **Susceptibility of margins to forex risk**

The company generates ~50-55 percent of its revenue through exports and imports ~40-45 percent of its raw materials. Hence, it faces foreign exchange risk on account of currency fluctuations. Although, the same is mitigated on account of the presence of natural hedge.

### **Rating Sensitivities**

> Stretch in working capital cycle leading to increase in working capital borrowing.

### **Material covenants**

1. Minimum DSCR of 2.00 times
2. TOL / TNW <= 2.00 times
3. Net FA/Term Debt >=1.5 times
4. Term Debts / NCA <=4.50 times
5. Current Ratio >=1.30 times
6. Debt / EBITDA < 4.00 times

### **Liquidity Position: Adequate**

The Company has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.81.50 Cr and Rs.47.05 Cr in FY2021 and FY2020 respectively against debt maturity obligations ranging between Rs.8.30-11.09 Cr

for the same period. The cash accruals of the company are estimated to remain in the range of Rs.115-140 Cr for the period FY22-23 against debt repayment obligations ranging between Rs.25-30 Cr for the same period. The company's Gross Current Asset (GCA) days stood at 168 days as on March 31, 2021. The unencumbered cash and bank balance and current ratio stood at Rs. 0.05 Cr and 1.59 times respectively as on March 31, 2021. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual vis-a-vis maturing debt obligations.

### Outlook

Not Applicable

### Key Financials

| Particulars                   | Unit    | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 452.06         | 301.87         |
| PAT                           | Rs. Cr. | 71.02          | 39.61          |
| PAT Margin                    | (%)     | 15.71          | 13.12          |
| Total Debt/Tangible Net Worth | Times   | 1.03           | 1.17           |
| PBDIT/Interest                | Times   | 10.50          | 8.60           |

### 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-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   |
|-------------|--------------------------------|------------|-----------------|--|
| 27 Nov 2020 | Proposed Bank Facility         | Long Term  | 1.80            | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Standby Line of Credit         | Long Term  | 1.00            | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Term Loan                      | Long Term  | 32.01           | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Cash Credit                    | Long Term  | 57.00           | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Letter of Credit               | Short Term | 8.00            | ACUITE A2 (Reaffirmed)                                   |
|             | Term Loan                      | Long Term  | 7.36            | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Letter of Credit               | Short Term | 15.00           | ACUITE A2 (Reaffirmed)                                   |
|             | Term Loan                      | Long Term  | 60.00           | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Cash Credit                    | Long Term  | 20.00           | ACUITE BBB+   Stable (Reaffirmed)                        |
|             | Standby Line of Credit         | Short Term | 1.00            | ACUITE A2 (Reaffirmed)                                   |
| 23 Nov 2020 | Term Loan                      | Long Term  | 60.00           | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Term Loan                      | Long Term  | 38.86           | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Proposed Bank Facility         | Long Term  | 4.55            | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Letter of Credit               | Short Term | 8.00            | ACUITE A2 (Upgraded from ACUITE A3+)                     |
|             | Standby Line of Credit         | Long Term  | 1.00            | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Standby Line of Credit         | Short Term | 1.00            | ACUITE A2 (Upgraded from ACUITE A3+)                     |
|             | Term Loan                      | Long Term  | 8.74            | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Cash Credit                    | Long Term  | 35.00           | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Cash Credit                    | Long Term  | 20.00           | ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable) |
|             | Letter of Credit               | Short Term | 10.00           | ACUITE A2 (Upgraded from ACUITE A3+)                     |
| 06 Feb 2020 | Standby Line of Credit         | Short Term | 1.00            | ACUITE A3+ (Reaffirmed)                                  |
|             | Letter of Credit               | Short Term | 10.00           | ACUITE A3+ (Reaffirmed)                                  |
|             | Term Loan                      | Long Term  | 41.15           | ACUITE BBB   Stable (Reaffirmed)                         |
|             | Proposed Bank Facility         | Long Term  | 1.80            | ACUITE BBB   Stable (Reaffirmed)                         |
|             | Cash Credit                    | Long Term  | 35.00           | ACUITE BBB   Stable (Reaffirmed)                         |
|             | Cash Credit                    | Long Term  | 20.00           | ACUITE BBB   Stable (Reaffirmed)                         |
|             |                                | Long       |                 |  |

|             |                        |            |       |  |
|-------------|------------------------|------------|-------|--|
|             | Term Loan              | Term       | 9.20  | ACUITE BBB   Stable (Reaffirmed)                         |
|             | Letter of Credit       | Short Term | 8.00  | ACUITE A3+ (Reaffirmed)                                  |
|             | Standby Line of Credit | Long Term  | 1.00  | ACUITE BBB   Stable (Reaffirmed)                         |
|             | Term Loan              | Long Term  | 60.00 | ACUITE BBB   Stable (Reaffirmed)                         |
| 03 Jan 2020 | Standby Line of Credit | Long Term  | 1.00  | ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable) |
|             | Letter of Credit       | Short Term | 8.00  | ACUITE A3+ (Upgraded from ACUITE A3)                     |
|             | Cash Credit            | Long Term  | 20.00 | ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable) |
|             | Term Loan              | Long Term  | 9.20  | ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable) |
|             | Proposed Bank Facility | Long Term  | 4.53  | ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable) |
|             | Bills Discounting      | Short Term | 15.00 | ACUITE A3+ (Upgraded from ACUITE A3)                     |
|             | Term Loan              | Long Term  | 41.15 | ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable) |
|             | Cash Credit            | Long Term  | 16.00 | ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable) |
|             | Standby Line of Credit | Short Term | 1.00  | ACUITE A3+ (Upgraded from ACUITE A3)                     |
|             | Letter of Credit       | Short Term | 10.00 | ACUITE A3+ (Upgraded from ACUITE A3)                     |
| 07 Jan 2019 | Bank Guarantee         | Short Term | 2.00  | ACUITE A3 (Reaffirmed)                                   |
|             | Letter of Credit       | Short Term | 6.00  | ACUITE A3 (Reaffirmed)                                   |
|             | Standby Line of Credit | Long Term  | 2.00  | ACUITE BBB-   Stable (Assigned)                          |
|             | Bills Discounting      | Short Term | 5.00  | ACUITE A3 (Reaffirmed)                                   |
|             | Term Loan              | Long Term  | 52.58 | ACUITE BBB-   Stable (Assigned)                          |
|             | Term Loan              | Long Term  | 11.50 | ACUITE BBB-   Stable (Assigned)                          |
|             | Cash Credit            | Long Term  | 16.00 | ACUITE BBB-   Stable (Assigned)                          |
|             | Letter of Credit       | Short Term | 6.00  | ACUITE A3 (Assigned)                                     |
|             | Cash Credit            | Long Term  | 23.00 | ACUITE BBB-   Stable (Reaffirmed)                        |
|             | Proposed Bank Facility | Long Term  | 1.80  | ACUITE BBB-   Stable (Assigned)                          |
| 12 Dec 2018 | Cash Credit            | Long Term  | 16.00 | ACUITE BBB-   Stable (Assigned)                          |
|             | Bills Discounting      | Short Term | 1.00  | ACUITE A3 (Assigned)                                     |
|             | Letter of Credit       | Short Term | 6.00  | ACUITE A3 (Assigned)                                     |
|             | Bank Guarantee         | Short Term | 2.00  | ACUITE A3 (Assigned)                                     |

## Annexure - Details of instruments rated

| Lender's Name       | ISIN           | Facilities                       | Date of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                               |
|---------------------|----------------|----------------------------------|------------------|----------------|----------------|-------------------|--------------------------------------|
| State Bank of India | Not Applicable | Cash Credit                      | Not Applicable   | Not Applicable | Not Applicable | 20.00             | ACUITE BBB+   Reaffirmed & Withdrawn |
| HDFC Bank Ltd       | Not Applicable | Cash Credit                      | Not Applicable   | Not Applicable | Not Applicable | 57.00             | ACUITE BBB+   Reaffirmed & Withdrawn |
| State Bank of India | Not Applicable | Letter of Credit                 | Not Applicable   | Not Applicable | Not Applicable | 8.00              | ACUITE A2   Reaffirmed & Withdrawn   |
| HDFC Bank Ltd       | Not Applicable | Letter of Credit                 | Not Applicable   | Not Applicable | Not Applicable | 15.00             | ACUITE A2   Reaffirmed & Withdrawn   |
| Not Applicable      | Not Applicable | Proposed Long Term Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 1.80              | ACUITE BBB+   Reaffirmed & Withdrawn |
| State Bank of India | Not Applicable | Stand By Line of Credit          | Not Applicable   | Not Applicable | Not Applicable | 1.00              | ACUITE BBB+   Reaffirmed & Withdrawn |
| State Bank of India | Not Applicable | Stand By Line of Credit          | Not Applicable   | Not Applicable | Not Applicable | 1.00              | ACUITE A2   Reaffirmed & Withdrawn   |
| State Bank of India | Not Applicable | Term Loan                        | Not available    | Not available  | Not available  | 32.01             | ACUITE BBB+   Reaffirmed & Withdrawn |
| State Bank of India | Not Applicable | Term Loan                        | Not available    | Not available  | Not available  | 7.36              | ACUITE BBB+   Reaffirmed & Withdrawn |
| HDFC Bank Ltd       | Not Applicable | Term Loan                        | Not available    | Not available  | Not available  | 60.00             | ACUITE BBB+   Reaffirmed & Withdrawn |



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|--|--|
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### About Acuité Ratings & Research

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