

Press Release

Alpine Spinweave Private Limited

August 28, 2020

Rating Update



Total Bank Facilities Rated*	Rs. 69.08 Cr. #
Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

Refer Annexure for details

* The issuer did not co-operate; based on best available information.

Acuite has reviewed and withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE three plus**) on the Rs. 69.08 crore bank facilities of Alpine Spinweave Private Limited (ASPL).

This rating is withdrawn on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal.

ASPL, based at Ahmedabad (Gujarat), was incorporated in 2016. The company is engaged in manufacturing of high-quality textile grey fabric which finds application in suits and shirts. The company is promoted by Mr. Sumit Champalal Agarwal and Mr. Sandeep Santkumar Agarwal. ASPL was formed as a part of backward integration for Gopi Synthetics Private Limited and Aarnav Industries Private Limited with an installed monthly capacity of 15 lakh meters.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Gopi Synthetics Private Limited, Alpine Spinweave Private Limited and Aarnav Industries Private Limited together referred to as the 'Aarnav Group (AG)'. The consolidation is due to the common promoters, significant operational and financial synergies within the group. Extent of consolidation: Full.

Strengths

• Established track record of operations and experienced management

GSPL is part of Aarnav group which has established the presence of over three decades in the processing of textile and trading of grey fabrics. The group undertakes various processing activities such as mercerising, calendaring, bleaching, dyeing, printing and finishing on the textile grey clothes. It also undertakes Job work for narrow width clothing such as shirting, dress material and kids garment. The group has integrated operations across the textile value chain and undertakes weaving, processing and trading. The companies are engaged in the manufacturing of yarn, grey fabric, denim fabric and processing (bleaching, printing, dyeing). Since 2016 the group has forayed into manufacturing of finished bed sheet sets, quilts and dohars in the fast-growing home linen market. The group was founded by Mr. Champalal Agarwal, who possess over four decades of experience in textile processing and trading of grey fabrics. The other promoters, Mr. Sumit Champalal Agarwal and Mr. Sandip Santkumar Agarwal possess more than two decades of experience in the above said line of business. The same is reflected through improvement of operating income to Rs. 924.98 crore in FY2020 (Provisional) as against Rs. 912.44 crore in FY2019. The company is also well supported by a well-qualified and experienced second line of management.

• Location advantage and geographically well diversified

The group's manufacturing units are located in Ahmedabad (Gujarat) which is one of the major textile processing hubs in India. The presence of unit in the textile processing hub provides a competitive advantage in terms of proximity to raw material, trained workforce and marketing. Further, the group has a pan India presence and has an established marketing set-up in a prominent city across India.

The group also caters in international markets through exports to Sri Lanka, East Asia and U.S.A.

• **Comfortable financial risk profile**

The financial risk profile of the group stood comfortable marked by tangible net worth of Rs. 250.12 crore (including unsecured loans from promoters of Rs. 87.98 crore) as on 31 March, 2020(Provisional) as against Rs. 231.14 crore (including unsecured loans from promoters of Rs. 87.98 crore) as on 31 March, 2019. The gearing (debt-equity) stood comfortable at 1.04 times as on 31 March, 2020(Provisional) and 1.00 times as on 31 March, 2019. The interest coverage ratio stood moderate at 2.00 times for FY2020 (Provisional) as against 2.11 times in FY2019. The TOL/TNW stood at 1.85 times in FY2020 (Provisional) as compared to 2.04 times in FY2019. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.11 times for FY2020 (Provisional). The DSCR stood moderate at 1.25 times for FY2020 (Provisional).

Weaknesses

• **Moderate working capital cycle and impact of COVID-19 on operations**

The moderate working capital cycle of the company is marked by moderate Gross Current Asset (GCA) of 200 days in FY2020 (Provisional) and FY2019. GCA days are marked by high receivable days of 128 days in FY2020 (Provisional) and 124 days in FY2019. The same has increased reliance on utilisation of working capital limits. The average working capital utilisation limit stood at 95.00 percent for the last six months ending July 2020. Further, operations of the group are likely to be impacted by muted demand and delayed receivables due to impact of Covid-19. Also, revival of operations and demand to normal likely to take longer than expected having direct impact on operating performance of the group.

• **Highly competitive textile industry and foreign currency fluctuation risk**

The textile industry in India is highly fragmented and competitive marked by the presence of large number of organised and unorganised players. The group is exposed to intense competition from both domestic players as well as the established players in the overseas market. The shifts in consumption patterns can also have an adverse impact on the operations of the group. The Indian textile industry has also seen a muted growth in the past few years and may have an impact on the growth of the existing players such as Aarnav group. AG also undertakes exports and has availed foreign currency term loan which has to be repaid in upcoming years. Any adverse impact of foreign currency fluctuation may result in an increase in repayment obligations and will have an impact on the margins of the company. However, Acuite believes that extensive experience of promoters in the textile industry and exports contributing less than 5 percent of the revenues will mitigate such risk to a certain extent.

Rating Sensitivity

Not Applicable

Liquidity Position: Adequate

The liquidity profile of the group stood moderate, marked by moderate net cash accruals to its maturing debt obligations. The net cash accruals stood at Rs. 26.00-29.24 crore as compared to its total repayment obligations of Rs. 16.36 -17.50 crore through three years ending FY2020. The group's operations are moderately working capital intensive as marked by Gross Current Asset (GCA) days of 200 in FY2020 (Provisional). This has led to moderate reliance on working capital borrowings, the cash credit limit of the company remains utilised at 95.00 percent for the last six months ending July 2020. The current ratio of the company stood at 1.40 times in FY2020 (Provisional). The management follows a moderate leverage policy on availing debt from banks for meeting its capital expenditure.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

- Consolidation of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	924.98	912.44
PAT	Rs. Cr.	12.84	10.26
PAT Margin	(%)	1.39	1.12
Total Debt/Tangible Net Worth	Times	1.04	1.00
PBDIT/Interest	Times	2.00	2.11

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

None

Any other information

Not Any

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Jul-2020	Cash Credit	Long Term	12.00	ACUITE BBB (Issuer not co-operating)
	Cash Credit	Long Term	12.00	ACUITE BBB (Issuer not co-operating)
	Term Loan	Long Term	20.00	ACUITE BBB (Issuer not co-operating)
	Term Loan	Long Term	22.08	ACUITE BBB (Issuer not co-operating)
	Bank Guarantee	Short Term	1.50	ACUITE A3+ (Issuer not co-operating)
	Letter of Credit	Short Term	1.50	ACUITE A3+ (Issuer not co-operating)
06-May-2019	Cash Credit	Long Term	12.00	ACUITE BBB/Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	22.08	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	1.50	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	20.00	ACUITE BBB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	22.08	ACUITE BBB (Withdrawn)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+ (Withdrawn)

**The issuer did not co-operate; based on best available information.*

Contacts

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About Acuité Ratings & Research:

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