# Press Release

**Aastha Spintex Private Limited**

**D-U-N-S® Number: 67-548-1283**

August 01, 2019

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 77.00 Cr. |
| **Long Term Rating** | ACUITE BB / Outlook: Stable |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of **'ACUITE BB' (read as ACUITE double B)** on the Rs. 77.00 crore bank facilities of AASTHA SPINTEX PRIVATE LIMITED (ASPL). The outlook is '**Stable**'.

Gujarat-based, Aastha Spintex Private Limited (ASPL) was incorporated in 2013 by Mr. Vivek Patel and Mr. Divyang Gothi. The company is engaged in ginning and spinning of cotton yarn of counts 30-32. The manufacturing facility is located at Halvad, Morbi (Gujarat) and has an installed capacity of 25920 spindles and production capacity of 6000 MTPA.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Experienced management**
  ASPL is promoted by Mr. Vivek Patel and Mr. Divyang Gothi, who have been associated with the cotton industry for almost a decade. Being a family-owned business, experience of the promoters has helped the company establish healthy and long standing relations with its customers and suppliers.

- **Moderate financial risk profile**
  ASPL has moderate financial risk profile marked by comfortable net worth, gearing and modest debt protection measures. The net worth levels of the company stood at Rs.61.79 crore (including unsecured loans from promoters and relatives Rs.11.13 crore treated as quasi equity) as on March 31, 2019 (Provisional) as compared to Rs.46.05 crore in the previous year. The gearing stood at 1.12 times in FY2019 (Provisional) against 1.45 times in FY2018. The total debt of Rs.69.13 crore as on March 31, 2019 (Provisional) consists of long term debt of Rs.45.97 crore, Rs. 0.12 crore of unsecured loans and short term working capital borrowings of Rs.23.04 crore. Interest Coverage Ratio stood at 2.47 times in FY2019 (Provisional) against 2.48 times in FY2018. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times in FY2019 (Provisional) against 0.16 times in FY2018. Acuité believes that ASPL will continue to maintain a comfortable financial risk profile marked by continued growth in operating income, stability in operating profitability and absence of any major debt funded capex.

### Weaknesses

- **Moderately intensive working capital cycle**
  ASPL has moderately intensive working capital cycle marked by Gross Current Asset (GCA) of 154 days in FY2019 (Provisional) against 133 days in FY2018. The GCA days are mainly dominated by high inventory holding period of 85 days in FY2019 (Provisional) and 89 days in FY2018. On account of seasonal nature of business, the company is required to maintain higher inventory levels. Collection period stood at 26 days in FY2019 (Provisional) against 13 days in FY2018. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Presence in highly competitive and fragmented industry**
  ASPL operates a highly competitive cotton industry with several unorganised players which limit the bargaining power of the company.

**Liquidity Position:**
ASPL has adequate liquidity marked by net cash accruals of Rs. 11.63 crore in FY2019 (Provisional) as compared to Rs. 9.17 crore of maturing debt obligations. ASPL maintains cash and bank balances of Rs.4.07 crore as on March 31, 2018. The current ratio stood comfortable at 1.56 times as on March 31, 2019 (Provisional). GCA days stood at 154 in FY2019 (Provisional) against 133 in FY2018. Acuité believes that the liquidity of the company is likely to be moderate over the medium term in the absence of any major debt funded capex.

**Outlook: Stable**
Acuité believes that the outlook of ASPL will remain 'Stable' over the medium term on account of its experienced management, moderate financial risk profile and healthy profitability. The outlook may be revised to 'Positive' if the company is able to substantially increase its scale of operations while maintaining its profitability and managing the working capital cycle. On the contrary, the outlook may be revised to 'Negative' in a case of decline in the scale of operations resulting in decline in the revenues affecting margins and liquidity and further deterioration in the working capital cycle.

**About the Rated Entity - Key Financials**

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 191.37 | 144.92 | 152.04 |
| EBITDA | Rs. Cr. | 23.55 | 20.06 | 19.75 |
| PAT | Rs. Cr. | 6.22 | 5.02 | 4.61 |
| EBITDA Margin | (%) | 12.31 | 13.85 | 12.99 |
| PAT Margin | (%) | 3.25 | 3.46 | 3.03 |
| ROCE | (%) | 15.12 | 12.99 | 13.05 |
| Total Debt/Tangible Net Worth | Times | 1.12 | 1.45 | 1.45 |
| PBDIT/Interest | Times | 2.47 | 2.48 | 2.12 |
| Total Debt/PBDIT | Times | 2.88 | 3.30 | 3.39 |
| Gross Current Assets (Days) | Days | 154 | 133 | 131 |

**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-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

**Note on complexity levels of the rated instrument**
https://www.acuite.in/criteria-complexity-levels.htm

**Rating History (Upto last three years)**
Not Applicable

***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 | Not Applicable | Not Applicable | Not Applicable | 23.00# | ACUITE BB / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 46.74 | ACUITE BB / Stable |
| Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 7.26 | ACUITE BB / Stable |

*#PC/PCFC of Rs. 3.75 crore as a sublimit of CC*

## Contacts

| Analytical | Rating Desk |
|---|---|
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**About Acuité Ratings & Research:**
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