

## Press Release

**Ammayapper Textiles Private Limited**  
**August 23, 2023**

### Rating Downgraded & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.61	ACUITE C   Downgraded & Withdrawn	-
Bank Loan Ratings	27.70	-	ACUITE A4   Downgraded & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	53.31	-	-

### Rating Rationale

Acuite has downgraded & withdrawn its long term rating to 'ACUITE C' (read as ACUITE C) from 'ACUITE BB+' (read as ACUITE double B plus) & downgraded the short term rating to 'ACUITE A4' (read as ACUITE A four) from ACUITE A4+ (read as ACUITE A four plus) on the Rs 53.31 crore bank facilities of Ammayapper Textiles Private Limited (ATPL). The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings. The downgrade is on account of delays reported in credit bureau information report of ATPL in servicing of debt obligations towards loan facilities not rated by Acuite.

### About the Company

Ammayapper Textiles Private Limited (ATPL) is a Thiruvallur-based company established in 2005 by Mr. Veluchamy Haridoss, Mr. Haridoss Karthikeyan, Mr. Senthil Velu and Mrs. Karthikeyan Ramya. ATPL is engaged in manufacturing and exporting of readymade garments mainly for infants to 12 years old. The company has four manufacturing units located in and around Thiruvallur (Tamil Nadu) with an installed capacity to manufacture 1 crore pieces/annum. The company exports its products to regions such as the United Kingdom, Dubai, Hong Kong, among others and generates about 70 per cent of its revenues are from overseas markets and rest from domestic markets. The company is also involved in trading to the extent of 10-20%.

### Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of ATPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### Established track record & Experience management.

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experience in the industry. Operating Income for FY23 (Prov) stood at Rs 364.15 crore as

against Rs 303.25 Crs in FY22. The reason for increase in turnover is due to orders received from domestic & foreign market. Further, EBITDA Margin for the FY23 (Prov) stood at 8.43% as against FY22 at 9.07%. The Profit after tax margins (PAT) stood at 0.89% in FY23 (Prov) as against 1.01% in FY22.

### **Moderate financial risk profile**

The financial risk profile of the company remained moderate marked by average net worth, high gearing ratio & average debt protection metrics. The net worth stood at Rs 39.75 Cr as on 31 March 2023 (Prov) as against Rs 36.42 Cr same period last year. The gearing level of the company remained high at 3.52 times as on 31 March 2023 (Prov) as against 3.49 times same period last year. Also, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood high at 4.20 times in as on 31 March 2023 (Prov) compared against 4.76 times as on 31 March 2022. The debt protection matrices of the company is improving marked by Interest Coverage Ratio (ICR) of 2.07 times for FY23 (Prov) and Debt service coverage ratio (DSCR) of 2.00 times for the same period. Acuité believes that the financial risk profile of the company will remain average over the medium term.

### **Weaknesses**

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

The operations of the company remained working capital intensive in nature marked by GCA Days of 139 days for FY23 (Prov) as compared against 167 days for FY22. Furthermore, the receivables days stood at 88 days in FY23 (Prov) against 98 days in FY22. The average credit period to customers is 90 days. The inventory days of the company stood at 52 days for FY23 (Prov) compared against 57 days for FY22. The average inventory holding is around 60 – 75 days. The creditor days stood at 29 days for FY23 (Prov) compared against 86 days for FY22. The average credit period received is around 30 – 45 days. Acuité believes that the operations of ATPL are expected to remain working capital intensive over the medium term.

#### **Vulnerability to foreign exchange fluctuation and exposed to intense competition**

The apparel industry witnesses intense competition with the presence of many players in the domestic market and growing threat from China and other low-cost manufacturing locations like Bangladesh, Vietnam, Taiwan, Cambodia, etc. The entire fashion industry is vulnerable to changing trends, consumer tastes and economic cycles, especially in European countries. Further, it is an export-oriented company, its margins are exposed to fluctuations in foreign exchange rates; however, is mitigated to an extent by the hedging policy undertaken by the company.

### **Rating Sensitivities**

Substantial improvement in scale of operations while maintaining profitability margins over the medium term

Sustainable improvement in Profitability, Leverage and Solvency position of the company

### **Material covenants**

None

### **Liquidity Position**

#### **Poor**

The liquidity position of the company is marked poor due to delays in servicing of debt obligations. The current ratio of the company stood at above unity at 1.21 times as on 31 March 2023 (Prov). The company has unencumbered cash and bank balances of Rs 0.87 Cr as on 31 March 2023 (Prov).

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	364.15	303.25
PAT	Rs. Cr.	3.25	3.06
PAT Margin	(%)	0.89	1.01
Total Debt/Tangible Net Worth	Times	3.52	3.49
PBDIT/Interest	Times	2.07	2.20

### 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

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
02 Aug 2022	Bills Discounting	Short Term	8.35	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	3.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Packing Credit	Short Term	15.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Working Capital Term Loan	Long Term	9.04	ACUITE BB+   Stable (Upgraded from ACUITE C)
	Working Capital Term Loan	Long Term	5.42	ACUITE BB+   Stable (Upgraded from ACUITE C)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	11.15	ACUITE BB+   Stable (Upgraded from ACUITE C)
16 Jun 2022	Bills Discounting	Short Term	8.35	ACUITE A4 (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	3.50	ACUITE A4 (Downgraded from ACUITE A3)
	Working Capital Term Loan	Long Term	9.04	ACUITE C (Assigned)
	Working Capital Term Loan	Long Term	5.42	ACUITE C (Assigned)
	Bank Guarantee	Short Term	0.35	ACUITE A4 (Downgraded from ACUITE A3)
	Packing Credit	Short Term	15.50	ACUITE A4 (Downgraded from ACUITE A3)
	Cash Credit	Long Term	11.15	ACUITE C (Downgraded from ACUITE BBB-   Stable)
05 Nov 2020	Term Loan	Long Term	1.60	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.55	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.35	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.15	ACUITE BBB-   Stable (Reaffirmed)
	Bills Discounting	Short Term	15.50	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	8.35	ACUITE A3 (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.35	ACUITE A4   Downgraded & Withdrawn
Indian Overseas Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	8.35	ACUITE A4   Downgraded & Withdrawn
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.15	ACUITE C   Downgraded & Withdrawn
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A4   Downgraded & Withdrawn
Indian Overseas Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	15.50	ACUITE A4   Downgraded & Withdrawn
Indian Overseas Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	9.04	ACUITE C   Downgraded & Withdrawn
Indian Overseas Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.42	ACUITE C   Downgraded & Withdrawn

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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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