Press Release

Aaiswarya Dyeing Mills Private Limited

D-U-N-S® Number: 72-498-2504

May 04, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BBB+/ Outlook: Stable
Short Term Rating	ACUITE A2

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and short term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs. 60.00 crore bank facilities of Aaiswarya Dyeing Mills Private Limited (ADMPL). The outlook is **'Stable'**.

Gujarat based, Aaiswarya Dyeing Mills Private Limited (ADMPL) was incorporated in 1993. The company is promoted by Mr. Rameshchandra Modi (Managing Director). The company is engaged in dyeing and printing of fabrics on job work basis used for making dress materials, sarees and shirts. The company has its manufacturing unit at Surat with an installed capacity of 8, 54,000 meters per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ADMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  ADMPL has establish presence since 1993, having an operational track record of almost three decades in textile industry. The directors of the company have an experience of over three decades in the aforementioned industry. The long track record of operations and extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. The senior management team is supported by a strong second line of management. Acuité believes that ADMPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Healthy scale of operations and profitability**
  The company improving scale of operations is marked by operating income of Rs. 264.84 crore in FY2019 as against Rs. 260.18 crore in FY2018 and Rs. 209.20 crore in FY2017. Further, the company has registered operating income of ~Rs. 199 crore for 8MFY2020. On the back of the stable and repeat orders by the key customers, the revenues have seen a compound annual growth rate (CAGR) of about 26.60 per cent over the past three years through FY2019. The EBITDA margin has improved to 18.22 percent in FY2019 from 12.96 percent in FY2018. This is mainly on account addition of new machinery and upgradation of technology resulting in higher efficiency and profitability. The PAT margins have also improved to 8.84 percent in FY2019 as against 4.46 percent in FY2018. Acuité believes that company will be able to sustain the revenue growth over the medium term on the back of the stable and repeat orders by the key customers

- **Healthy financial risk profile**
  The financial risk profile of the company stood healthy marked by healthy net worth, debt protection metrics and coverage indicators. The net worth of ADMPL stood at Rs. 131.83 crore as on 31 March, 2019 as against Rs. 108.42 crore as on 31 March, 2018 on account of healthy accretion to reserves during the

same period. The gearing (debt-equity) stood low at 0.36 times as on 31 March, 2019 as against 0.42 times as on 31 March, 2018. The total debt of Rs. 46.88 crore as on 31 March, 2019 mainly comprises Rs. 25.92 crore of short term borrowings and Rs. 20.95 crore of long term debt. The coverage indicators stood healthy marked by Interest Coverage Ratio (ICR) which stood at 8.33 times for FY2019 as against 8.70 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.73 times for FY2019 as against 0.51 times for FY2018. Further, Debt to EBITDA stood low at 0.97 times for FY2019 as against 1.35 times for FY2018.

Acuité believes, considering the current debt funded capex, the additional debt funded capex is not likely to significantly impact the financial risk profile of the company in near to medium term. Any higher-than-expected deterioration in financial risk profile of the company will remain a key rating sensitivity factor.

Weaknesses

- **Moderate working capital operations**

  The company has moderate working capital operations marked by Gross Current Assets (GCA) of 132 days for FY2019 as against 107 days for FY2018. This is mainly on account of increase in debtor days to 69 days for FY2019 from 29 days for FY2018. Further, it has changed its credit policy by allowing an extended credit period to its customers on account of minimum orders received from them. The inventory days stood low at 21 days for FY2019 as against 23 days for FY2018. The working capital limits stood utilised at 45.00 percent for last six months ending November, 2019. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Highly competitive and fragmented nature of industry**

  ADMPL is operating in a highly competitive and fragmented textile industry. It is exposed to intense competition from several organized and unorganized players operating in the industry. Majority of the company's income is derived from job work which is vulnerable to the intense competitive pressures and the cyclicality inherent in the domestic textile industry. Further, limited value added nature of job work operations may lead to moderate level of margins and low return indicators, coupled with the susceptibility of the company's profitability to fluctuations in prices of the key raw materials. Acuité believes adverse impact of COVID-19 on the industry can lead to longer in revival of demand than expected and will have significant impact on operations over first two quarters of current year.

Rating Sensitivities

- Sustaining existing scale of operation while maintaining profitability margin.
- Stretch in working capital cycle leading to weakening of financial risk profile.
- Deterioration in debt coverage indicators and liquidity profile.

Any Material Covenants

None

Liquidity Position: Adequate

ADMPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 34.09 crore for FY2019 while its maturing debt obligations were Rs. 8.45 -9.15 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 35.00 crore to Rs. 40.00 crore during 2020-22 against repayment obligation of around Rs.6.00 crore to Rs. 9.50 crore for the same period. The company has moderate working capital operations marked by GCA days of 132 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.57 crore as on March 31, 2019. The current ratio stood at 1.44 times as on March 31, 2019. The working capital limits stood utilised at 45.00 percent for last six months ending November, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	264.84	260.18
PAT	Rs. Cr.	23.42	12.11
PAT Margin	(%)	8.84	4.66
Total Debt/Tangible Net Worth	Times	0.36	0.42
PBDIT/Interest	Times	8.33	8.70

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

ICRA, vide its press release dated Dec 18, 2018 had denoted the rating of Aaiswarya Dyeing Mills Private Limited as 'ICRA BBB+/Stable/ICRA A2; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

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
- 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 (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	40.00*	ACUITE BBB+ / Stable
Term loans	FEB -2017	Not Applicable	Jan-2022	15.90	ACUITE BBB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A2

**Sub Limit: Letter of Credit Rs.40.00 cr. and WCDL of Rs.20.00 Cr.*

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Rupesh Patel Senior Analyst - Rating Operations Tel: 022-49294044 rupesh.patel@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.