



Press Release

ASHOK TEXTILE MILLS PRIVATE LIMITED (ERSTWHILE SARANYA SPINNING MILLS PRIVATE LIMITED)

October 29, 2024

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	206.79	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.21	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	209.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘ACUITE BB+’ (read as ACUITE double B plus) and short term rating of ‘ACUITE A4+’ (read as ACUITE A four plus) on the Rs.209.00 Cr. bank facilities of Ashok Textile Mills Private Limited (Erstwhile Saranya Spinning Mills Private Limited)(ATMPL). The outlook is ‘Stable’.

Rationale for reaffirmation:

The rating reaffirmation considers the improvement in operating profit, despite a 21 percent decline in revenue during FY2024 and expectation of improvement in revenue in the current year. The operating profit margin improved significantly to 16.10 percent, mainly due to savings from captive power. Additionally, the capacity expansion in spinning segment is expected to help in improvement of ATMPL’s revenue in the current year. The rating further draws comfort from the moderate working capital operations and adequate liquidity position of ATMPL, though it is constrained by a below-average financial risk profile. Going forward, maintaining the profitability while improving the revenue and the financial risk profile will be a key rating monitorable.

About the Company

Incorporated in 1995 by Mr. Ashok Kumar, Ashok Textile Mills Private Limited manufactures blended yarn and blended fabric and made-ups. The company has manufacturing plants at Ponneri, Namakkal (Tamil Nadu). The company has a capacity to produce yarn of 7,518 metric tons per annum with 12,000 spindles, 12 Vortex machines, and 5 air jet spinning machines. It has 54 airjet looms for own production and 116 looms for Job work production (weaving plant) to produce 20 lakh meters capacity (mts) per month. ATMPL also has a capacity produce 4, 50, 000 PCs made ups per annum. The company mainly produces blended yarns of 30-60 counts. The plant has a captive power plant of 12.5 mega-watt (MW) capacity. Mr. Ashok Kumar and Mrs. Revathi are the directors of the Company.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ATMPL to arrive at the rating.

Key Rating Drivers

Strengths

Established presence and diverse revenue base:

ATMPL has an established presence in the textile industry spanning more than two decades and key promoter Mr. Ashok Kumar (Managing Director) has more than two decades of experience in the textile industry resulting in long relationships with suppliers and customers, driving repeat business. Further, ATMPL's diversified product base comprising cotton and various blends in the viscose yarn in the counts ranging from 30's to 60's, provides operational flexibility. Acuité believes that ATMPL will continue to benefit from the extensive experience of its promoters, and established relationships with clients will improve its business risk profile over the medium term.

Substantial improvement in operating profit, despite a decline in top line due to change in product focus:

ATMPL's revenue stood at Rs.246.69 Cr. in FY2024, which was declined by 21 percent, compared to previous year's revenue of Rs.311.22 Cr. This decline in revenue is primarily led by change in product focus and lower trading activity during the year. The company has shifted its focus from manufacturing of fabrics to yarn and also lowered the trading of madeups in order to efficiently use the input tax credit (ITC) (Since the fabrics has GST of 5 percent while the raw material has 18 percent and Yarn has 12 percent of GST). Consequently, the revenue from sale of madeups was reduced by 75 percent in FY2024 to Rs.19.32 Cr. from Rs.79.88 Cr. in FY2023 resulting in lower revenue for the year.

The operating profit margin improved significantly to 16.10 percent in FY2024, from 8.36 percent in FY2023, primarily led by the benefits from the captive power coupled by stable realizations rates for viscose yarn during the year. However, high depreciation and increased interest expenses due to infusion of interest bearing USL during the year has led to negative PAT margin for the second consecutive year. ATMPL registered revenue of Rs.138.23 Cr. till September, which is similar to previous year's revenue during the same period. Further, EBITDA margin stood at 17.50 percent till August, there by promising a healthy profitability for the current year. Acuite expects, ATMPL's revenue to improve in the current year due to increase in capacity, while operating profits are expected to remain at current levels.

Moderate working capital operations:

ATMPL's working capital operations are moderately intensive in nature as reflected through the gross current days of 149 days in FY2024, which was elongated from 96 days in FY2023. The elongation in GCA days is due to stretch in inventory days. The company also holds inventory of its newly established group firm "Ashok Textiles" resulting in stretched inventory days at 116 days in FY2024 compared to 58 days in FY2023. ATMPL extends a credit period of 20-30 days to its customers and pays the suppliers upfront which helps for discounts, resulting a lower creditor days. Consequently, the working capital limits were highly utilized at an average of 95 percent over the past 12 months ending September 2024. Acuite expects the working capital management to remain moderately intensive over the medium term on account of the high inventory levels.

Weaknesses**Below-average financial risk profile:**

ATMPL's financial risk profile is below-average, marked by moderate net worth, high gearing and below-average debt protection metrics. The company's net worth stood at Rs.27.34 Cr. as on March 31, 2024 against Rs.29.39 Cr. as on March 31, 2023. The decline deterioration in networth is due to net loss incurred during the period. The overall debt levels increased to Rs.228.54 Cr. as on March 31, 2024 compared to Rs.190.02 Cr. as on March 31, 2023, mainly due to infusion of Rs.55.83 Cr. unsecured loan during the year. Consequently, the leverage indicators deteriorated for the year, with gearing and total outside liabilities to tangible networth at 8.36 times and 8.65 times respectively as on March 31, 2024 from 6.47 times and 6.82 times respectively as on March 31, 2023. (The adjusted debt to equity –*Net off USL* stood at 6.32 times as on March 31, 2024). Further, the debt protection metrics have marginally improved yet remained low below-average with DSCR of 0.57 times and ICR of 2.15 times as on March 31, 2024. Debt to EBITDA also improved marginally to 5.47 times as on March 31, 2024 from 6.66 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve over the medium term due to expected improvement in scale of operations and profitability.

Susceptibility to volatility in raw material prices and supplier concentration risk

The prices of viscose staple fibre (VSF) are volatile owing to fluctuations in wood pulp prices. Any steep increase in raw material prices that cannot be fully passed on to customers will affect profitability. However, strong operational capability and healthy diversification in clientele mitigate this risk. The ATMPL sources majorly of raw material from Grasim Industries Ltd and has limited bargaining power as Grasim has an established market position in the viscose fibre segment. Though there has been no instance of shortage in supply by Grasim, risks related to supplier concentration will prevail. Acuite believes that ATMPL's business profile and financial profile can be adversely impacted on account of presence of inherent risk of susceptibility of volatility in raw cotton prices, since the industry is highly commoditize.

Rating Sensitivities

Positive:

- Significant improvement in operating income while maintaining current profitability margins.
- Improvement in financial risk profile.
- Improvement in working capital operations.

Negative:

- More than expected debt infusion towards capital expenditure, resulting in deterioration of financial risk profile.
- Any further deterioration in working capital management.
- Any decline in revenue and profitability leading to insufficient net cash accruals against the repayment obligations.
- Any excessive fund flow towards the group company, leading to deterioration of liquidity position.

Liquidity position: Adequate

ATMPL's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The company registered NCA's of Rs.20.02 Cr. as on March 31, 2024, comfortably covering the debt obligation of Rs.15 Cr. for the same period. NCA's are expected to range between Rs.30-35 Cr. over the medium term which would comfortably meet the expected repayment range of Rs.22-25 Cr. The company's current ratio stood moderate at 1.10 times as on March 31, 2024 and the GCA days were elongated at 149 days in FY2024. The fund based bank limits were utilized at an average of 95 percent during the past 12 months ending September, 2024. Acuite believes that the liquidity position of the company will remain adequate over the medium term on account of sufficient cash accruals against repayment obligations.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	246.69	311.22
PAT	Rs. Cr.	(2.04)	(5.59)
PAT Margin	(%)	(0.83)	(1.80)
Total Debt/Tangible Net Worth	Times	8.36	6.47
PBDIT/Interest	Times	2.15	1.98

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-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Aug 2023	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Covid Emergency Line.	Long Term	9.20	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.64	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	33.65	ACUITE BB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	9.51	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.94	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	14.51	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	3.52	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.83	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	32.42	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	4.48	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	15.29	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	6.98	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	2.74	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.29	ACUITE BB+ Stable (Assigned)
27 Jun 2023	Covid Emergency Line.	Long Term	9.20	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	40.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	7.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	2.64	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	33.65	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	9.51	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
12 Apr	Bills Discounting	Short Term	3.00	ACUITE A3 (Assigned)
	Covid Emergency Line.	Long Term	9.20	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.30	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.70	ACUITE BBB- Stable (Assigned)

2022	Covid Emergency Line.	Long Term	9.51	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.66	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	33.63	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	08 Oct 2020	Not avl. / Not appl.	08 Sep 2025	3.07	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	22 Jan 2021	Not avl. / Not appl.	22 Sep 2025	7.34	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.21	Simple	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	57.08	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Aug 2030	0.85	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Aug 2030	0.41	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Feb 2026	0.18	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	16 Apr 2019	Not avl. / Not appl.	30 Sep 2025	0.58	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	01 Nov 2020	Not avl. / Not appl.	30 Nov 2027	0.53	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	10 Mar 2023	Not avl. / Not appl.	10 Feb 2030	25.22	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	05 Sep 2022	Not avl. / Not appl.	05 Mar 2030	3.23	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	07 Dec 2024	Not avl. / Not appl.	07 Nov 2033	15.29	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	10 Jul 2024	Not avl. / Not appl.	10 May 2033	6.96	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Aug 2030	4.37	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Aug 2029	1.65	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	02 Apr 2022	Not avl. / Not appl.	03 Mar 2030	20.03	Simple	ACUITE BB+ Stable Reaffirmed

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