



## Rating Rationale

31March2020

### Anjani Synthetics Ltd

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 50.00 Crores of Anjani Synthetics Ltd (ASL or the ‘Company’).**

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April-2019)	Present
Fund based	79.60	50.00 (40.00)	Long Term	BWR BBB Stable	BWR BBB Stable (Reaffirmation)
Non Fund Based	3.00	(1.24)	Short Term	BWR A3	BWR A3 (Reaffirmation)
<b>Total</b>	<b>82.60</b>	<b>50.00</b>	<b>Rupees Fifty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

#### RATING: REAFFIRMED

#### RATING ACTION / OUTLOOK

BWR has considered the standalone financials of the Company and essentially relied upon the audited financial statements upto FY19, management certified provisional financials of 11MFY20, projected financials upto FY21 and publicly available information and clarifications provided by the entity’s management.

The rating reaffirmation draws strength from overall improvement in financial risk profile, comfortable net worth, and adequate liquidity position. The Company also benefits from vast business experience of about two decades of the promoters in the line of textile industry. The



ratings are, however, constrained by vulnerable profit margins due to volatility in the cotton prices and highly competitive and working capital intensive nature of industry.

BWR believes that the business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

## KEY RATING DRIVERS

### **Credit Strengths:**

- **Extensive experience of promoters in the textile industry**– Established in 1984, ASL's operations are managed by Mr. Vasudev Agrawal, who has more than two decades of experience in the textile business. The Company benefits from longstanding existence in the industry and the business supports healthy relationships with customers and suppliers.
- **Moderate financial risk profile** : The Company has witnessed a deterioration in the operating income at Rs.307.48 Crs in FY19 as compared to TOI of Rs. 344.30 Crs in FY18 due to sluggish demand in the domestic markets post GST implementation. As per management certified provisional financials as on 29th February, 2020, the Company has achieved the revenue of Rs. 310 Crs for eleven months of the current year FY20. As on 31st March, 2019, Tangible net worth was comfortable at RS. 59.50 Crs due to retained profits of past years. Gearing has improved from 1.50x in FY18 to 1.15x in FY19, on the back of overall reduction in the debt level. Further, the debt protection metrics have remained comfortable with DSCR at 1.51x and ISCR 2.26x in FY19.

### **Credit risks:**

- **Susceptibility of profit to volatility in raw material price:** Operating profit margins have remained low yet improved marginally from 4.56% to 5.59% due to Job work & fluctuation in prices of cotton and net profit margins improved from 0.91% to 0.98% on the back decline in finance cost in FY18 & FY19 respectively. Textile Industry's profit margins are highly correlated with fluctuations in cotton prices and are susceptible to various risks like need for adherence to quality, seasonality, etc.
- **Exposed to intense competition in the highly fragmented Indian textile industry:** The textile industry segment is characterised by high levels of fragmentation and low entry barriers across the value chain The Company faces stiff competition in both domestic and overseas market from other up and coming players, which attract more business because of their lower production costs, ease-of-doing business and availability of cheap labour.



- **Working capital intensive nature of operations** : The Company's operations are working capital intensive as reflected by higher inventory and receivables period owing to the nature of the business.

## **RATING SENSITIVITIES**

### **Positive:**

Substantial growth in revenue and profitability while maintaining working capital cycle and improvement in gearing and debt protection metrics be key rating positives.

### **Negative:**

Lower than expected growth in operating income, deterioration in gearing and debt coverage metrics, profitability will be key rating sensitivities.

## **LIQUIDITY POSITION: Adequate**

The Company had adequate liquidity to cover the long term debt obligations for FY19. Term loan was repaid fully in January-2020. Net Cash accruals are improved from Rs.8.28 Crs in FY19 against Rs. 7.64 Crs in FY18 and . However, working capital intensity was stretched owing to elongated receivables cycle from 131days in FY18 to 144 days in FY19 and high inventory holding period of 85 days. Average Working capital utilization was around 85% of the sanctioned limit in the last six months ending on 29Feb2020. Keeping in the view that absence of any major long term liability and overall reduction in debt, BWR believes that the Company's liquidity would continue to be adequate in the near term.

## **COMPANY PROFILE**

Incorporated in 1984, Anjani Synthetics Limited is listed on the Bombay Stock Exchange (BSE) and promoted and managed by Mr. Vasudev Agarwal at Ahmedabad, Gujarat. The Company is engaged in the business of processing and finishing activity on a range of fabrics including dress material, suiting material and home furnishing. The manufacturing unit has installed capacity of 600 Lakh meters per annum and current utilization is 82%. The Company carries out dyeing and printing of synthetic grey fabric for direct sales as well as job work.

## **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : Not Applicable**

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Income	₹ in Cr	307.48	344.30
EBITDA	₹ in Cr	17.20	15.69
Net Profit	₹ in Cr	3.00	3.14
Tangible net worth	₹ in Cr	59.50	55.90
Debt/Tangible net worth	Times	1.15	1.50
Current Ratio	Times	1.27	1.24

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Applicable**

**RATING HISTORY**

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2April2019	22Feb2018	30March2017
Fund Based	Long Term	50.00 (45.00)	<b>BWR BBB (Stable) Reaffirmed</b>	<b>BWR BBB (Stable)</b>	<b>BWR BBB (Stable)</b>	<b>BWR BBB- (Stable)</b>
Non Fund Based	Short Term	(1.24)	<b>BWR A3 Reaffirmed</b>	<b>BWR A3</b>	<b>BWR A3</b>	<b>BWR A3 on 19Dec2017</b>
<b>Total</b>		<b>50.00</b>	<b>INR Fifty Crores Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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*Anjani Synthetics Ltd*

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	State Bank of India	<b>Fund Based :</b> Cash Credit (Sub limit : EPC/PCFC/EBR/FBD) (Sub limit : WCDL)	50.00 (5.00) (40.00)	- - -	<b>50.00</b>
2	State Bank of India	<b>Non Fund Based :</b> Bank Guarantee (sub limit of CC) CEL (sub limit of CC)	- -	(1.00) (0.24)	<b>(1.24)</b>



<b>TOTAL</b>	<b>50.00</b>
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**Total Fifty Crores Only.**

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