

Rating Rationale

Anjani Synthetics Limited

22 Feb 2018

Brickwork Ratings upgrades/reaffirms the rating for the bank loan facilities of Anjani Synthetics Limited.

Particulars

Facilities Rated	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Previous rating	Present Rating
Fund Based				
Cash Credit	75.00	75.00	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook-Stable	BWR BBB (Pronounced as BWR Triple B) Outlook-Stable Upgraded
Term Loan*	9.40	7.20		
Non Fund based				
ILC/FLC	2.00	2.00	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmed
ILG-Interchangeable with ILC/FLC	1.00	1.00		
Total	87.4	85.20	(INR Eighty Five Crores & Twenty Lakhs Only)	

*Term loan O/s as of 24/1/2018, Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale:

The ratings assigned to **Anjani Synthetics Limited** (ASL or ‘the company’) continue to derive strength from ASL’s experienced and resourceful promoters who have established track record of operations in the textile business as well as improvement in equity base and debt protection metrics. The ratings, however is constrained on account of its moderate and working capital intensive nature of operations, moderate profitability margins which are susceptible to volatile raw material prices as well as presence in fragmented and cyclical textile processing industry and regulatory risk associated with regular compliance with stringent pollution control norms.

Key Rating Determinants

Credit Strengths

- a. Experienced promoters group with long track record of operations in textile processing business.
- b. The total operating income of ASL remained stable during FY17 majorly in line with the FY16. Overall capacity utilization also remained healthy. Ebitda margin improved in FY17 by 28 bps against FY16, however net profit margin has been in the declining trend from past three years, from 1.25% in FY15 to 0.95% in FY16 to 0.83% in FY17. The overall gearing ratio & the debt coverage indicators improved as on 31st March, 2017, however the same continue to remain moderate during FY17.
- c. Unsecured loans to the tune of Rs. 10.27 Crs were converted into equity in October, 2017 which will further improve the overall gearing of the company going forward.

Credit Weaknesses

- a. The prices of raw material commodities are inherently volatile and are largely driven by global as well as local demand and supply factors, hence any volatility in the prices of these materials may impact the profitability of ASL.
- b. The textile processing industry is highly fragmented in nature due to the presence of large number of unorganized players leading to high competition in the industry. Textile is a cyclical industry and closely follows the macroeconomic business cycles. Hence, any shift in macroeconomic environment globally would have an impact on the domestic textile industry.
- c. ASL's working capital cycle remained high during FY17. The average utilization of fund based working capital facilities of ASL remained high during trailing 12 months ended November 2017.
- d. Shortfall in the envisaged performance of the company in terms of scale of operations and operating profitability for the period FY17.
- e. There has been continuous decline in the current ratio from past three years from 1.38 times in FY15 to 1.28 times in FY16 to 1.25 times in FY17, indicating pressure on liquidity. However the same has been improved in 9MFY18.

Going forward, the ability of the company to further scale up its operations along with improvement in its profitability and capital structure while ensuring effective management of its working capital requirement would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Anjani Synthetics Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

Incorporated in 1984, Anjani Synthetics Limited is a grey fabric processor with its processing facility located 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 Company carries out printing and dyeing of synthetic grey fabric for direct sales as well as on job work basis. The Company is also involved in trading of cotton, grey cloth and synthetic yarns. The company is promoted by the Agarwal family and is listed on the Bombay Stock Exchange (BSE).

Company's Financial Performance

Key Financial Parameters	FY17	FY16
Total Operating Income	Rs. 370.82 Cr	Rs. 395.37 Cr
PAT	Rs. 3.06 Cr	Rs. 3.74 Cr
Total Debt	Rs. 89.43 Cr	Rs. 100.07 Cr
TOL/TNW	3.11 times	3.49 times
ISCR	2.27 times	1.85 times
DSCR	2.00 times	1.71 times

For H1FY18, the company has achieved revenue of Rs. 167.22 Crs and has posted PAT of Rs. 2.62 Crs for the same period.

Rating History for the last three years:

SI.No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	Mar-17	2016	2015
1	Cash Credit	Long Term	75.00	BWR BBB/Stable Upgraded	BWR BBB-/Stable	NA	NA
2	Term Loan*	Long Term	7.20	BWR BBB/Stable Upgraded	BWR BBB-/Stable		
3	ILC/FLC	Short Term	2.00	BWR A3 Reaffirmed	BWR A3		
4	ILG-Interchangeable with ILC/FLC	Short Term	1.00	BWR A3 Reaffirmed	BWR A3		
Total			85.20	(INR Eighty Five Crores & Twenty Lakhs Only)			

*Term loan O/s as of 24/1/2018

NA: Not Available



Status of non-cooperation with previous CRA (if applicable):Not Applicable

Any other information: NIL

Hyperlink/Reference to applicable Criteria

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

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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