

Aswath Weaving Private Limited

February 05, 2021

Rating

| Facilities / Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|---|--|---|
| Long Term Bank Facilities | 33.99 | CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable) |
| Short Term Bank Facilities | 0.26 | CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Facilities | 34.25 (Rs. Thirty-Four Core and Twenty- Five Lakhs Only) | | |

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 20, 2020 placed the rating(s) of Aswath Weaving Private Limited (AWPL) under the 'issuer non-cooperating' category as AWPL had failed to provide information for monitoring of the rating. AWPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated January 28, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in the rating takes into account the non-availability of requisite information due to non-cooperation by AWPL with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile

Detailed description of the key rating drivers

At the time of last rating on February 20, 2020 the following were the rating strengths and weaknesses:

Key Rating Weakness

Modest scale of operation

The scale of operation stood modest marked by TOI of Rs.123.95 crore and declined net worth base of Rs.8.51 crore as on March 31, 2019.

Leverage capital structure and weak debt coverage indicators

The capital structure of the company stood highly leveraged at 4.06x as on March 31, 2019 as against 3.79x as on March 31, 2018. Further, TD/GCA stood weak at 14.30x in FY19 despite improvement from 23.85x in FY18 and interest coverage stood at 1.71x in FY19 as against 1.62x in FY18.

Working capital intensive nature of operation

The operating cycle stood at 56 days in FY19 when compared to 89 days in FY18. The creditor period and collection period extended up to 38 days and 34 days in FY19.

Intensely competitive and highly fragmented industry with presence of numerous organized and unorganized players

The textile business requires limited quantum of investment in machinery, however, has high working capital needs. The industry is highly fragmented with large number of players operating in the organized and unorganized segments due to low entry barrier. The high level of competition has ensured limiting bargaining power, as a consequence of which the industry operates at low to moderate profitability margins.

Key Rating Strengths

Experienced promoter with a long track record of operations

The proprietor, Mr. S Muruges, has been in the business of manufacturing of fabric for over two decades. The company was established in year 2004 and since its inception; AWPL has undertaken number of contracts for the supply of the cotton grey fabric to various dealers and distributors throughout India. Due to its long-term presence in the market, the company has established relationship with various vendors and suppliers.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Increase in profitability margin albeit remained thin

The PBILDT margin marginally increased by 74 bps and stood at 4.80% in FY19 as against 4.06% in FY18 and the PAT margin stood thin at 0.81% in FY19 increased by 22bps.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Manufacturing Companies](#)

About the Company

Coimbatore, Tamil Nadu based Aswath Weaving Private Limited (AWPL) was incorporated in March 15, 2004 by the promoters, Mr. S Muruges and his spouse, Ms. S Saraswathi to carry on the business of ginning, spinning, weaving in cotton, waste cotton, silk and any other type of fibrous substance. The company is involved in the manufacturing of cotton grey fabric which is used as input in the textile industry.

| Brief Financials (Rs. crore) | FY18 (A) | FY19(A) |
|------------------------------|----------|---------|
| Total operating income | 101.20 | 123.95 |
| PBILDT | 4.11 | 5.95 |
| PAT | 0.60 | 1.01 |
| Overall gearing (times) | 3.79 | 4.06 |
| Interest coverage (times) | 1.62 | 1.71 |

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|-------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Term Loan | - | - | August 2026 | 7.95 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | - | - | July 2021 | 0.32 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | - | - | January 2026 | 0.48 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | - | - | December 2021 | 0.17 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | - | - | March 2021 | 0.07 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Cash Credit | - | - | - | 25.00 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 0.26 | CARE A4; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|--|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Term Loan | LT | 7.95 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE BB-; Stable (14-Mar-19) | - |
| 2. | Fund-based - LT-Term Loan | LT | 0.32 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE BB-; Stable (14-Mar-19) | - |
| 3. | Fund-based - LT-Term Loan | LT | 0.48 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE BB-; Stable (14-Mar-19) | - |
| 4. | Fund-based - LT-Term Loan | LT | 0.17 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE BB-; Stable (14-Mar-19) | - |
| 5. | Fund-based - LT-Term Loan | LT | 0.07 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE BB-; Stable (14-Mar-19) | - |
| 6. | Fund-based - LT-Cash Credit | LT | 25.00 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE BB-; Stable (14-Mar-19) | - |
| 7. | Non-fund-based - ST-Bank Guarantees | ST | 0.26 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (20-Feb-20) | 1)CARE A4 (14-Mar-19) | - |

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|-------------------------------------|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT-Term Loan | Simple |
| 3. | Non-fund-based - ST-Bank Guarantees | Simple |

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Immanuel Prabhakar C

Group Head Contact no.- 044 – 2850 1022

Group Head Email ID - immanuel.prabhakar@careratings.com

Business Development Contact

Name: Pradeep Kumar

Contact no. : 044-28501001

Email ID : pradeep.kumar@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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