

APM Industries Limited

October 17, 2022

Rating

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------------|-------------------------|---------------------|---|
| Long Term Bank Facilities | - | - | Reaffirmed at CARE BBB+; Stable (Triple B Plus; Outlook: Stable) and Withdrawn |
| Total Bank Facilities | 0.00 (₹ Only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed the outstanding ratings of 'CARE BBB+; Stable' [Triple B Plus; Outlook: Stable] assigned to the bank facilities of APM Industries Limited (APMIL) and simultaneously withdrawn with immediate effect. The above action has been taken at the request of APMIL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The reaffirmation of ratings continues to derive strength from the experienced promoters along with long track record of operations and established relationship with customers and suppliers and moderate financial risk profile. On the hand, the ratings continue to remain constrained by volatility in the raw material prices which are dependent on crude oil prices and fragmented nature of industry.

Detailed description of the key rating drivers

Key rating strengths

Experienced Promoters

The company was incorporated in 1973 by Mr. R.K. Rajgarhia, who is currently the Chairman of the company and has a vast experience of more than 4 decades in the textile industry. The company has a team of trained and experienced personnel from the textile industry to support the top management.

Long track record of operations and established relationship with customers and suppliers

The company has been in this line of business for over 40 years and has established relations with its customers and suppliers. APMIL supplies yarn to many well-known domestic companies and traders. Further, the customer base is diversified with top ten customers contributed close to ~35% to net sales of APMIL.

Moderate financial risk profile

The company has recorded total operating income of Rs. 316.83 crores during FY22 as against Rs. 236.56 crores in FY21; mainly attributable to increased sales volumes on the back of buoyant demand in the textile sector and a low base in FY21 owing to COVID-19 pandemic. The company has further been able to improve its PBILDT Margin to 9.81% in FY22 from 6.78% in FY21 on account of better sales realization.

The capital structure of the company continues to be healthy and stable with an overall gearing of 0.24x as on March 31, 2022 (PY: 0.24x). Further, the debt coverage indicators stood comfortable and improved owing to increasing profitability. The total debt/GCA and interest coverage ratio stood at 1.51x and 11.34x respectively for FY22 (PY: 2.90x and 4.04x respectively).

Key rating weaknesses

Volatility in raw material prices

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The main raw material is Polyester Fibre which is procured domestically. PSF is a derivative of crude oil and its price is dependent on movement of crude oil prices. Further, low bargaining power with large raw material suppliers affects profitability. Hence, any volatility in the raw material prices may affect the company's margins. Hence, any volatility in the raw material prices may affect the company's margins.

Fragmented nature of industry

APMIL operates in a cyclical and fragmented Man-Made Fibre (MMF) industry marked by presence of various organized and unorganized and certain large players. Intense competition in the industry limits the pricing abilities of the players operating in the industry.

Liquidity: Adequate

The liquidity of the company is adequate characterized by a current ratio of above 1.3x since last 2 fiscal years. The repayment obligations for FY23 stood at Rs. 5.57 crore for which the company has sufficient cushion available as the projected gross cash accruals stood at Rs. ~23 crore. The capex requirements of the company are modular at around Rs. ~4 crore in the medium term which are expected to be funded through internal accruals. The average working capital utilization levels are low at ~19% for last twelve months ended July 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

APMIL is promoted by Mr. R.K. Rajgarhia, who is the Chairman of the company. The company is engaged in the manufacturing of synthetic blended yarn comprising polyester/viscose, polyester 100%, acrylic 100% and acrylic/polyester yarn with an installed capacity of 55,584 as on June 30, 2021. The company majorly caters to domestic market. During FY18, the company diversified its product with expansion into Sewing thread dyeing and cone/tube winding machine with the capacity of 350 MTPA. The company has also installed a 1.75 MW solar plant in FY20 for captive use.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | Q1FY23 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 236.56 | 316.83 | 94.84 |
| PBILDT | 16.04 | 31.07 | 11.59 |
| PAT | 4.79 | 14.75 | 6.60 |
| Overall gearing (times) | 0.24 | 0.24 | NA |
| Interest coverage (times) | 4.04 | 11.34 | 22.73 |

A: Audited, UA: Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit | | - | - | - | 0.00 | Withdrawn |
| Term Loan-Long Term | | - | - | - | 0.00 | Withdrawn |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|--------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Cash Credit | LT | - | - | - | 1)CARE BBB+; Stable (02-Mar-22) 2)CARE BBB; Stable (13-Sep-21) | 1)CARE BBB; Stable (17-Nov-20) | 1)CARE BBB; Stable (16-Mar-20) 2)CARE BBB; Stable (03-Jul-19) 3)CARE BBB+ (CWD) (13-Jun-19) |
| 2 | Term Loan-Long Term | LT | - | - | - | 1)CARE BBB+; Stable (02-Mar-22) 2)CARE BBB; Stable (13-Sep-21) | 1)CARE BBB; Stable (17-Nov-20) | 1)CARE BBB; Stable (16-Mar-20) 2)CARE BBB; Stable (03-Jul-19) 3)CARE BBB+ (CWD) (13-Jun-19) |
| 3 | Non-fund-based - LT-BG/LC | LT | - | - | - | 1)Withdrawn (13-Sep-21) | 1)CARE BBB; Stable (17-Nov-20) | 1)CARE BBB; Stable (16-Mar-20) 2)CARE BBB; Stable (03-Jul-19) 3)CARE BBB+ (CWD) (13-Jun-19) |

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---------|-----------------------------|------------------|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Term Loan-Long Term | Simple |

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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