

Ajanta Spintex Private Limited (Revised)

August 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	34.64	CARE B+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Ajanta Spintex Private Limited to monitor the rating(s) vide e-mail communications dated June 18, 2024, July 04, 2024, August 08, 2024, August 21, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating based on the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Therefore, the rating for the bank facilities of Ajanta Spintex Private Limited is revised and will now be denoted as CARE B+; Stable; ISSUER NOT COOPERATING*

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of the last rating on September 20, 2023, the following were the rating strengths and weaknesses:

Key weaknesses

Declined scale of operations and profitability margins during FY23: The TOI of ASPL had declined to Rs.77.49 crore in FY23 (UA) as against Rs.124.21 crore in FY22. The fall was due to unforeseen supply issues and the high input prices of cotton. The company therefore decided to change the mix of raw materials which led to the shutting down of the plant for 2 months during July and August 2022. However, the company is expecting a turnaround and to achieve better revenue and margins in FY2024. On the profitability front, the company's PBILDT during FY23 stood at Rs.5.64 crore as against Rs.7.19 crore in FY22. Due to the lower employee costs in the year, the PBILDT margin of the company improved to 7.28% in FY23 as against 5.79% in FY22. But the PAT margin fell to 0.21% in FY23 as compared to 1.46% in FY22 due to a similar level of interest costs and depreciation.

Leveraged Capital Structure and Debt Coverage Metrics: The debt profile of ASPL comprises term loans and cash credit facilities. The leveraged capital structure of the company remained leveraged characterized by an overall gearing of 2.72x as of March 31, 2023 (PY: 2.69x). The marginal deterioration in overall gearing was on account of the repayment of a portion of the term loan by infusion of unsecured loans of Rs.4.34 crore by the promoters. The debt coverage metrics also remained leveraged with Total Debt to Gross Cash Accruals (TDGCA) of 25.87x as of March 31, 2023. The TD/GCA ratio deteriorated significantly due to the lower GCA, and the PBILDT interest coverage ratio also declined and stood at 1.58x in FY23 (FY22: 2.00x).

Working capital-intensive nature of operations: Spinning is a working capital-intensive business as the raw material availability is seasonal which results in a high inventory holding period. Furthermore, the procurement is primarily on a cash basis which results in high working capital utilization during the months of availability which is October to April. However, ASPL enjoys a credit period of 2-3 weeks based on the relationship with the suppliers. The operating cycle of ASPL is elongated at 169 days in FY23 from 93 days in FY22 on account of a higher inventory holding period of up to 186 days as against 102 days for FY22. Also, the creditor's period increased from 18 days in FY22 to 30 days in FY23.

Highly fragmented, competitive, and cyclical nature of industry: Presence in highly competitive and Inherent cyclicity associated with the textile industry. The textile industry in India is highly fragmented and dominated by many medium and small-scale unorganized players leading to high competition in the industry. Smaller standalone processing units like ASPL are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as compared to larger integrated textile companies which have better efficiencies and pricing power considering their scale of operations. Textile is a cyclical industry and closely follows the macroeconomic business cycles. Further, the prices of raw materials and finished goods are determined by the global demand-supply scenario and are not limited to only domestic factors. Hence, any shift in the macroeconomic environment globally would have an impact on the domestic textile industry. The textile industry is also intensely competitive.

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

Dependence on vagaries of nature exposing the company to raw material price volatility risk: The profitability of spinning mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. Cotton is the major raw material of spinning mills, movement in cotton prices without parallel movement in yarn prices impacts the profitability of the spinning mills. The cotton textile industry is inherently prone to volatility in cotton and yarn prices.

Key strengths

Established track record, resourceful and experienced promoters in the cotton industry: The company has a track record of more than a decade in business operations. ASPL was promoted by Mr I Dhana Reddy who has an experience of more than a decade in the cotton industry. The operations are supported by other directors who have experience in similar lines of business. Due to its long-term presence in the market, the company can receive repetitive orders from regular customers. Apart, the promoters also possess another business i.e., Ajanta Construction and Ajanta Automobiles among others. The promoters are resourceful and infuse the need-based funds.

Favourable location of the facility: The company has a locational advantage with the manufacturing facilities located in Guntur district which is one of the prominent cotton growing belts in Andhra Pradesh. Furthermore, the plant is also in proximity to Khammam & Warangal, prominent cotton-growing belts in the Telangana region providing easy off-take. ASPL procures cotton from Andhra Pradesh resulting in lower transportation costs.

Diversified customer and supplier base: The customer base of the company is diversified with customers spread across the states of Maharashtra, Karnataka, Tamil Nadu West Bengal, and others. The company also has a stable supplier base wherein the company procures its raw materials from farmers and Bombay Dyeing.

Liquidity: Stretched

The liquidity position of the company is stretched due to lower gross cash accruals during FY23 of Rs.1.94 crore as against the repayment obligation of Rs.0.74 crore during FY24. This apart, the working capital utilization of the company is very high at 98% for the past 12 months ended June 2023. Also, ASPL has a cash and bank balance of Rs.0.35 crore as of March 31, 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

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

[Financial Ratios – Nonfinancial Sector](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Ajanta Spintex Private Limited (ASPL) was incorporated in 2010 with an initial capacity of 24,520 spindles. The Managing Director of the company is Mr. I Dhana Reddy along with his family members. ASPL is engaged in the manufacturing of cotton yarn with its spinning facilities located in Guntur district. The company manufactures yarn ranging between 24's to 40's count and it changes as per the orders placed by the customers. The company procures the lint from various dealers and farmers depending on the price and quality and manufactures the yarn in varied counts. The promoters belong to the same family having vast experience in the cotton industry.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	93.35	124.21	77.46
PBILDT	7.13	7.19	5.54
PAT	1.88	1.82	0.55
Overall gearing (times)	3.06	2.91	2.55
Interest coverage (times)	1.95	2.00	1.55

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL Ratings has placed Ajanta Spintex Private Limited in the Issuer Not Cooperating category vide press release dated September 15, 2023, on account of its inability to review in the absence of requisite information.

Acuite (SMERA) Ratings has placed Ajanta Spintex Private Limited in the Issuer Not Cooperating category vide a press release dated October 23, 2023, on account of its inability to review in the absence of requisite information.

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	26.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	January 31 2026	8.64	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	26.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (20-Sep-23)	1)CARE BB-; Stable (16-Aug-22)	-
2	Fund-based - LT-Term Loan	LT	8.64	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (20-Sep-23)	1)CARE BB-; Stable (16-Aug-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the 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.

Contact us

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About us:

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