AYM Syntex Limited

February 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	178.40 (Reduced from 234.41)	CARE A; Stable	Reaffirmed
Short-term bank facilities	385.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of AYM Syntex Limited (ASL) factors in the improvement in operating performance of the company in H1FY25 after moderation witnessed in the company's operating performance in FY24 and FY23. Performance for FY23 and FY24, was impacted by the sluggish demand coupled with the decline in margins due to lower realisation, increase in cost of indigenously sourced materials and the product mix. The operating performance was further impacted by a fire accident at the company's plant in Rakholi, effecting a few machineries during Q1FY24 which impacted performance for H1FY24. The company has restored the affected lines and with additional capacities in its Bulk Continuous Filament (BCF) and Industrial Yarn (IDY) segment, with incremental capacity and improved demand from export market, along with better product mix, the company operating performance is expected to improve by end of March 31, 2025. CARE Ratings Limited (CARE Ratings) expects the operating margins to improve by end of FY25 led by increased capacities, product offerings for newer/niche segments and better product mix along with process improvisation capex.

The capital structure of the company marked by overall gearing moderated to 1.14x as on March 31, 2024, from 0.94x as on March 31, 2023, with increase in short term/working capital borrowings. The company in October 2024 has raised ₹141.76 crore via preferential issue with the issue amount to be utilised towards repayment of debt (other than working capital), repayment/reduction in working capital borrowings, general corporate purposes and capital expenditure. The capital structure of the company is expected to improve by end of March 31, 2025, with increased capital base and reduction in debt. The total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) of the company deteriorated to 5.37x as on March 31, 2024, due to increased debt and lower profitability due to fire in Q1FY24 but the same is expected to improve to less than 3x by end of March 31, 2025, with improved profitability and reduced debt levels. The company plans to undertake capex in high margin business for increasing its capacity in FY25 and FY26. To meet its capex plan, company shall utilise its preferential proceeds, internal accruals and debt towards increase in capacities including maintenance capex.

The ratings continue to consider the strong promoter group and their demonstrated financial support, established clientele with low customer concentration, and a geographically diversified revenue mix, with exports contributing 47.5% in FY24 (PY: 46.5%). However, the ratings are constrained by the exposure to fluctuations in raw material prices and foreign exchange currency risk. Additionally, any large debt-funded capex for the production-linked incentive (PLI) project under the subsidiary, which could weaken ASL's financial risk profile, will remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in the total operating income (TOI) along with sustainability of the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin around 10%.
- Substantial improvement in the net debt/earnings before interest, taxes, depreciation, and amortisation (EBITDA) ratio to below 2x on a sustained basis.

Negative factors

- Any unforeseen debt-funded capex or acquisition, leading to a deterioration of the net debt/EBITDA beyond 3x on a sustained basis.
- Deterioration in the PBILDT margin below the 8% level at a sustained basis.

Analytical approach: Consolidated

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

CARE Ratings Limited (CARE Ratings) has considered the consolidated financials for arriving at the ratings owing to the operations in similar business and business linkages that exists with its subsidiaries. ASL incorporated a wholly owned subsidiary, AYM Textile Private Limited, on June 27, 2022. The list of companies that are consolidated to arrive at ratings are given in Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations of improvement in the company's operating and financial risk profiles amid the healthy cash flow generation from operations.

Detailed description of key rating drivers

Key strengths

Experienced promoters and management with track record of support

Established in 1983, ASL was jointly promoted by BK Goenka and RR Mandawewala. In October 2015, post the spun off, the stakes held by the erstwhile promoters and their various group companies were transferred to Rajesh Mandawewala, who is the Vice Chairman of Welspun Living Limited and Co-promoter of the Welspun group. Mandawewala is the Promoter and Chairman of ASL. The promoters of the company have infused around ₹95 crore into the company over FY17-FY24 to provide liquidity support while executing capex in these years

Moderation in operating performance in FY24, expected improvement in FY25

In FY24, AYM Syntex Limited (ASL) saw a 7.8% decline in TOI to ₹1,346.8 crore from ₹1,461.38 crore in FY23. This decrease was largely due to a fire incident in Q1FY24, which temporarily disrupted operations and led to a 0.52% year-over-year (y-o-y) drop in sales volumes. Despite these challenges, the company managed to recover its losses in the second half of FY24. The share of exports in total revenue increased to 47.5% in FY24 from 46.5% in the previous year, although export revenues were slightly lower at ₹644.6 crore compared to ₹677.23 crore in FY23 due to operational disruptions and global uncertainties, such as Red Sea shipping disruptions, and Middle East region unrest among others. Despite all this, the company has been able to expand its customer base in European market and other countries.

The cost of materials decreased to 55.7% of revenue from 59.8% in FY23, due to efficiencies in buying, an improved sales mix, and favourable movements in Brent crude prices during the year. Operating margins saw a slight decline from 6.84% in FY23 to 6.65% in FY24, but the company improved its PBILDT margin to 8.33% in H1FY25. Despite the initial setbacks, ASL expanded its customer base in Europe and other regions, demonstrating resilience and adaptability in a challenging market environment. CARE Ratings expects operating margins to improve by end of FY25 led by increased capacities, newer/niche segments and better product mix and process improvisation capex.

Established clientele with low customer concentration

The company has an established clientele and caters customers such as Godfrey Hirst Australia Pty, and The Victoria Carpet Company among many other prominent clients in various geographies. The company's customer base is well distributed and there is no substantial concentration of risk, as no single customer contributes over 10% of the revenue and of the outstanding receivables. The revenue contribution in FY24 from the top five customers is 22% (PY: 22%), while that from the top 10 customers is 33% (PY: 32%). Exports contributed to 47.5% of the TOI in FY24 (PY: 46.5%).

Healthy working capital cycle

The company's working capital cycle continues to remain healthy at 33 days in FY23 and FY24 compared to 24 days in FY22. ASL's major raw materials are nylon and polyester chips. ~40-50% of the total raw material purchases are imported depending upon the market and requirement, whereas the rest are sourced from the domestic market. For FY24, 41% of the procurement is through local suppliers. Since over 70% business is make-to-order, the inventory stocking period is less than a month. However, overall operations are working capital intensive with high dependence on working capital borrowings with an average working capital utilisation of 79% for the last 12 months ended December 31, 2024.

Expected improvement in financial risk profile

The financial risk profile and capital structure of AYM Syntex Limited (ASL) are expected to improve with the scheduled repayments of long-term debt and an overall improvement in financial position. The total debt, including creditors on LC/acceptances, increased from ₹392.96 crore as of March 31, 2023, to ₹480.90 crore in FY24, primarily due to higher working capital borrowings and acceptances on account of fire incident in plant. This led to a deterioration in overall gearing (including LC acceptances) to 1.14x as on March 31, 2024, from 0.94x as on March 31, 2023. The term debt/gross cash accrual (GCA) improved to 3.24x (PY: 3.46x) due to regular long-term debt repayments, while the total debt/GCA deteriorated to 8.15x (PY: 6.26x) due to increased working capital borrowings and acceptances.

Interest coverage ratios also deteriorated, with PBILDT interest coverage at 2.13x (PY: 2.78x) in FY24, mainly due to increased finance costs from higher borrowings for capex and greater usage of working facilities. However, the company improved its PBILDT margin to 8.33% in H1FY25 from 6.65% in FY24, leading to an improvement in the PBILDT interest coverage ratio to 2.56x from 2.13x in FY24.

The company in October 2024 has raised ₹141.76 crore through preferential issue with the issue amount to be utilised towards repayment of debt (other than working capital), repayment/reduction in working capital borrowings, general corporate purpose and capital expenditure. The company's capital structure is expected to improve by end of March 31, 2025, with increased capital base and reduction in debt. The company's total debt/PBILDT deteriorated to 5.37x as on March 31, 2024, due to increased debt and lower profitability due to fire in Q1FY24 affecting operations in H1, which is expected to improve to less than 3x by end of March 31, 2025, with improved profitability and debt levels.

The company plans to undertake capex in high margin business for increasing its capacity in FY25 and FY26. To meet its capex plan, company shall utilise its preferential proceeds, internal accruals and debt towards increase in capacities including maintenance capex.

Key weaknesses

Loss by fire

On May 12, 2023, fire broke out at the company's plant in Rakholi, effecting a few machineries in one of the divisions. The insurance claim is being submitted under two categories – material damage and fire loss of profit insurance (FLOP). ASL has submitted an estimated material damage claim, which includes capex, civil, and stocks, among others and has received the claim amount in full. However, FLOP Claim which is the second part of the overall claim is under process and realisation of this claim will bring the additional inflow and could help to improve liquidity.

Input price fluctuation risk and currency risk

ASL's major raw materials are polymer chips and partially oriented yarn (POY) or texturised yarn. These inputs are derivatives of crude oil purified terephthalic acid (PTA) and mono ethylene glycol (MEG). The average PTA prices fell by 18.1%, while the average MEG prices increased by 9.3% in December FY24 against December FY23. The cost pressures have eased; the PTA and MEG prices eased to ₹70.2/kg and ₹61.8/kg in December 2024 from their peaks in July 2022 and April 2022, respectively. Any adverse movements in the prices of raw materials may put pressure on ASL's profitability margins, in case the rise in price cannot be recovered entirely through higher realisations. ASL's focus on high-value and specialty products and location advantage (being present in a textile manufacturing hub) mitigates the pricing risk and competition pressure to an extent. In some cases, depending upon the customer requirements, the company works on formula-based pricing, wherein the prices are contractually binding for a specific period and there is scope for transferring the increased cost and vice versa.

As for currency risk, ASL is naturally hedged on account of exports. The company's raw material requirements are met from domestic suppliers such as Reliance, JBF, and Indorama among others, and imports from countries such as Taiwan, Korea, and China among others. In FY24 exports accounted for 48% of TOI (PY: 47%). ASL made a forex gain of ₹0.64 crore in FY24 against a gain of ₹3.59 crore in FY23.

Liquidity: Adequate

The company's liquidity remains adequate, marked by GCA of ₹38.20 crore in H1FY25 and cash and cash equivalents of ₹3.57 crore as on September 30, 2024. The company has an average fund-based and non-fund-based utilisation of 79% for the last 12 months ending December 31, 2024. Against this, the company has scheduled repayments of ₹63.75 crore (including lease liabilities of ₹6.03 crore) in FY24. The company is undertaking capex of ₹160-165 crore in FY25 and FY26 towards increase in capacities including maintenance capex to be funded through term loan of ₹65 crore and balance internal accruals.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Manmade Yarn-Methodology

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Textiles	Textiles and apparels	Other textile products

Established in 1983, ASL is engaged in manufacturing wide range of texturised or dyed polyester and nylon yarn from its three manufacturing units at Rakholi (Dadra and Nagar Haveli), Naroli (Dadra and Nagar Haveli), and Palghar (Thane, Maharashtra). ASL has developed varieties of yarn such as air texturised yarn, mono filament yarn, IDY yarn, sewing thread yarn, automotive yarn, and other fancy yarns. The company periodically changes its product mix aligned with the market requirements while keeping focus on high-value products such as dope-dyed and nylon mono yarns, spandex covered yarns, and high bulk polyester yarns among others catering the niche market.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	1,461.38	1,346.80	750.71
PBILDT	99.97	89.59	62.51
PAT	7.16	2.04	6.21
Overall gearing (times)*	0.94	1.14	0.91
Interest coverage (times)	2.78	2.13	2.56

A: Audited; UA: Unaudited; NA: Not available; *including LC acceptances. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-11-2026	178.40	CARE A; Stable
Fund-based- Short Term		-	-	-	110.00	CARE A1
Non-fund-based - ST-BG/LC		-	-	-	275.00	CARE A1

Annexure-2: Rating history for 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-Term Loan	LT	178.40	CARE A; Stable	-	1)CARE A; Stable (26-Dec-23)	1)CARE A; Stable (21-Oct-22)	1)CARE A-; Positive (25-Aug-21)
2	Non-fund-based - ST-BG/LC	ST	275.00	CARE A1	-	1)CARE A1 (26-Dec-23)	1)CARE A1 (21-Oct-22)	1)CARE A2+ (25-Aug-21)
3	Fund-based-Short Term	ST	110.00	CARE A1	-	1)CARE A1 (26-Dec-23)	1)CARE A1 (21-Oct-22)	1)CARE A2+ (25-Aug-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not available

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based-Short term	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of Subsidiaries consolidated as on March 31, 2024

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	AYM Textiles Private Limited	Full	100% subsidiary

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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