AYM Syntex Limited

September 14, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	199.36 (enhanced from Rs. 196.93 crore)	**CARE A; Stable [(Single A); Outlook: Stable]**	**Reaffirmed**
Short term Bank Facilities	231.00 (enhanced from Rs.206.00 crore)	**CARE A1 (A One)**	**Reaffirmed**
Total Facilities	**430.36 (Rupees Four hundred thirty crores and thirty-six lakhs only)**		
Non-Convertible Debenture	**25.00**	**CARE A; Stable [(Single A); Outlook: Stable]**	**Reaffirmed**
Commercial Paper	**25.00**	**CARE A1 (A One)**	**Reaffirmed**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and instruments of AYM Syntex Ltd (ASL) continue to factor in significant experience of the management in the textiles business, established clientele, moderate financial risk profile and comfortable liquidity position. Further, the ratings draw comfort from company's strong positioning in Indian nylon yarn market and leadership position in the Indian BCF yarn market and the expected increase in revenues with the ramp up of capacity addition undertaken over the last two years.

The ratings strengths however, continue to be constrained by the size of the company, exposure to risk of fluctuation in raw material prices & foreign exchange currency risk. Further, weaker performance in Q1 FY18 also tempers strengths to an extent.

ASL's ability to achieve the envisaged growth in revenue while maintaining healthy profitability, improve financial risk profile are the key rating sensitivities. Moreover, addition of any large-sized project impacting financial risk and/or business risk profile of the company is also a rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Strong and experienced management: Established in 1983, ASL was promoted by Late Mr. G.R. Goenka, Mr. B.K. Goenka and Mr. R.R. Mandawewala. In October 2015, 64.62% stake held by Mr. B.K.Goenka, was transferred to Mr. Rajesh Mandawewala who is the Managing Director of Welspun India Ltd and co-promoter of Welspun Group.

Established clientele with low customer concentration: The company has an established clientele and caters to customers like Welspun India Limited rated [CARE AA- (Stable)/ A1+], Golden Apparel Exports Private Limited, Page Industries Limited, D'Decor Exports Private Limited among others. The top ten customers constitute just 24% to the total revenue; thus customer concentration risk is lower.

Capacity expansion to boost revenues going forward: In FY17, the company has increased its capacity significantly (from 74,565 tonnes per annum in FY16 to 84,484 tonnes per annum in FY17). The effect of the capex will be visible from FY18 onwards as the capacity ramps up.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.*

Moderate financial risk profile and comfortable liquidity position: The company has a moderate financial risk profile with gearing of 1.25 times at the end of FY17. Though the company plans to incur capex going forward as well towards R&D and innovation, the same would be funded through internal accruals and there would be no further addition to debt. The capital structure of the company is thus slated to improve with reduction in debt level and accretion of profits to reserves. The average working capital utilization of the company has been in the range of 55-58% over the last 15 months and thus the company has a comfortable liquidity position.

Key Rating Weaknesses

Input price fluctuation risk: The major raw materials for ASL are polymer chips and POY/texturized yarn. Both these inputs are derivatives of crude oil and hence, move in tandem with the global oil prices, which are volatile in nature.

Adverse impact on profitability: In FY17, the operating income and operating margin of the company has declined on account of lower realizations and impact of demonetization coupled with increase in the prices of crude oil in the second half of FY17. This has led to marginal decline in the interest coverage ratio which has declined from 5.02 times in FY16 to 4.37 times in FY17.

Weak performance in Q1 FY18: The company reported weaker performance in Q1 FY18 largely on account of increase in raw material prices and lower capacity utilization. The implementation of GST also impacted business to an extent.

Analytical approach: Standalone

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[Rating Methodology-Manufacturing Companies]
[Financial ratios – Non-Financial Sector]

About the Company
Established in 1983, ASL was promoted by Late Mr. G.R. Goenka, Mr. B.K. Goenka and Mr. R.R. Mandawewala. AYM is engaged in manufacturing of wide range of texturized/dyed polyester and nylon yarn from its two manufacturing units located at Silvassa and Palghar (Dist. Thane, Maharashtra). AYM has also developed varieties of yarn, i.e. air texturized yarn, mono filament yarn, slub yarn, bishrinkage yarn and other fancy yarns. The company periodically changes its product mix in line with the market requirements while keeping focus on high value products, such as dope-dyed and nylon mono yarns, spandex covered yarns, high bulk polyester yarns, etc., catering to the niche market.
During FY17 (refers to the period April 1 to March 31), ASL reported total income of Rs.787.91 crore with a PAT of Rs.40.14crore compared with the total income of Rs.803.45 crore and profit after tax of Rs.47.75 crore in FY16.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	803.45	787.91
PBILDT	108.06	99.03
PAT	47.75	40.14
Overall gearing (times)	1.48	1.25
Interest coverage (times)	5.02	4.37

Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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.*

Analyst Contact:
Name: Mr Pawan Matkari
Tel: 022-6754 3529
Email: pawan.matkari@careratings.com

For detailed Rationale Report and subscription information, please contact us at www.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.

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	-	~11%	June 2021	199.36	CARE A; Stable
Non-fund-based - ST-BG/LC	-	-	-	184.00	CARE A1
Fund-based-Short Term	-	-	-	47.00	CARE A1
Debentures-Non Convertible Debentures	-	-	-	25.00	CARE A; Stable
Commercial Paper	-	-	-	25.00	CARE A1

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	199.36	CARE A; Stable	-	1)CARE A (12-Aug-16)	1)CARE A (15-Feb-16) 2)CARE A (27-Aug-15)	1)CARE BBB+ (12-Jan-15)
2.	Non-fund-based - ST-BG/LC	ST	184.00	CARE A1	-	1)CARE A1 (12-Aug-16)	1)CARE A1 (15-Feb-16) 2)CARE A1 (27-Aug-15)	1)CARE A3+ (12-Jan-15)
3.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (12-Jan-15)
4.	Fund-based-Short Term	ST	47.00	CARE A1	-	1)CARE A1 (12-Aug-16)	1)CARE A1 (15-Feb-16) 2)CARE A1 (27-Aug-15	1)CARE A3+ (12-Jan-15)
5.	Commercial Paper	ST	25.00	CARE A1	-	1)CARE A1 (12-Aug-16)	1)CARE A1 (15-Feb-16)	-
6.	Debentures-Non Convertible Debentures	LT	25.00	CARE A; Stable	-	1)CARE A (12-Aug-16)	1)CARE A (15-Feb-16)	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691