AYM Syntex Limited (Revised)

October 07, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Rating1**	**Rating Action**
Long term Bank Facilities	207.20 (reduced from Rs.219.26 crore)	**CARE A; Stable [Single A; Outlook: Stable]**	**Reaffirmed**
Short term Bank Facilities	275.00 (275.00)	**CARE A1 (A One)**	**Reaffirmed**
Total Facilities	**482.20 (Rupees Four hundred eighty two crore and twenty- lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings reaffirmation of the bank facilities of AYM Syntex Ltd (ASL) continue to factor in significant experience of the management in the textiles business and their demonstrated financial support, ,established clientele with low customer concentration; improvement in operational performance since the beginning of Q2FY 20 and conversion of part ICDs in equity in August 2019.

The ratings strengths however, continue to be constrained by the moderate liquidity position of the company, delay in capacity ramp up and exposure to risk of fluctuation in raw material prices & foreign exchange currency risk.

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

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, 65.15% stake held by erstwhile promoters and their various group companies was transferred to Mr. Rajesh Mandawewala who is the Managing Director of Welspun India Ltd and co-promoter of Welspun Group. AYM has developed varieties of yarn, i.e. air texturized yarn, mono filament yarn, IDY yarn, sewing thread yarn, automotive yarn and other fancy yarns. The promoters of the company have infused ~ Rs. 60 crores into the company over FY18 and FY19 (Rs. 48 crore in FY18 and Rs. 12 crore in Q4FY19) to provide liquidity support while executing capex in these years; and have demonstrated the intent to continue in future if the need arises.

Established clientele with low customer concentration: The Company has an established clientele and caters to customers like Welspun India Limited, Godfrey Hirst Australia Pte. Ltd, Page Industries Limited, etc. among many other prominent clients. The top ten customers constitute just 32% to the total revenue in FY 19 thereby reducing customer concentration risk.

Delay in capacity ramp up : Over the years, the company has been shifting focus from commodity products to value-added speciality products. The company has undertaken capex in FY18 and FY19 for installation of spinning line, texturised machinery, sewing thread and BCF line which have now been commissioned. This is expected to increase revenues for the Company .BCF line has started contributing to sales, however, higher margin products (tri/bi-colour products) are expected to start contributing from H2FY20.Any further delay in capacity ramp up may delay the improvement in margins and would remain a key rating sensitivity.

Reduction in debt; financial profile expected to improve going forward

The Company's debt peaked in FY 19 and is expected to improve gradually going forward. Overall gearing deteriorated from 1.03x as of 31st March 2018 to 1.37x as of 31st March 2019. Interest coverage ratios were also affected marginally with PBILDT interest cover and PBIT interest cover at 2.23x (PY: 2.43x) and 1.14x (PY: 1.25x) respectively at the end of FY19. However, with conclusion of capex program; the debt is expected to come down in the current year with no planned incremental debt. In FY 20, ~ Rs.24 crore of ICDs have been converted into equity further supporting the capital structure.

Input price fluctuation risk:

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

The major raw materials for ASL are polymer chips and POY/texturized yarn. Both these inputs are derivatives of crude oil purified terephthalic acid (PTA) and mono ethylene glycol (MEG). The prices in the last 2 years have increased sharply on back of rising crude oil prices. However, in FY19, with over 21% higher crude oil prices, PTA prices witnessed a sharp increase of over 28% y-o-y on back of lower production while MEG prices registered a decline of over 5% y-o-y on back of about 2.4% higher production amidst 27% decline in consumption on a y-o-y basis.

Any adverse movement in the raw material prices may put pressure on ASL's profitability margins, in case the rise in price cannot be recovered entirely through higher realizations

Liquidity: Adequate: As of 30th June 2019, total cash is ~Rs. 25.0 crores of which unencumbered is Rs.5.36 crores in the form of cash in current accounts. The balance are lien marked FDs and in escrow account. Working capital limits are utilized at an average of 88% for 12 months ended August 2019 . The company has annual repayments of approx. Rs.45 crores each in FY 20 and FY21. ICDs of Rs. 24.28 crores have been converted into equity in September 2019. The Company has also repaid debt to the tune of Rs.11.47 crores due in Q1FY20. The company has no planned capex and internal accruals would be used towards debt repayment and reduction in working capital.

Analytical approach: Standalone

Criteria on assigning Outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Criterion for Short Term Instruments
Financial ratios - Non-Financial sector
Rating Methodology-Manufacturing Companies

About the Company

Established in 1983, 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, IDY yarn, sewing thread yarn, automotive 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.

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

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	855.95	996.67
PBILDT	67.78	76.69
PAT	8.00	5.86
Overall gearing (times)	1.03	1.37
Interest coverage (times)	2.43	2.23

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.*

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	March 2012	-	March 2021	18.1	CARE A; Stable
Fund-based - LT-Term Loan	July 2015		December 2026	97.60	CARE A; Stable
Fund-based - LT-Term	July 2015		December 2025	51.0	CARE A; Stable

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Loan					
Fund-based - LT-Term Loan	March 2012		December 2024	40.60	CARE A; Stable
Non-fund-based - ST-BG/LC	-	-	-	210.00	CARE A1
Fund-based-Short Term	-	-	-	65.00	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	207.20	CARE A; Stable	-	1)CARE A; Stable (12-Dec-18)	1)CARE A; Stable (14-Sep-17)	1)CARE A (12-Aug-16)
2.	Non-fund-based - ST-BG/LC	ST	210.00	CARE A1	-	1)CARE A1 (12-Dec-18)	1)CARE A1 (14-Sep-17)	1)CARE A1 (12-Aug-16)
3.	Fund-based-Short Term	ST	65.00	CARE A1	-	1)CARE A1 (12-Dec-18)	1)CARE A1 (14-Sep-17)	1)CARE A1 (12-Aug-16)
4.	Commercial Paper	ST	-	-	-	1)Withdrawn (12-Dec-18)	1)CARE A1 (14-Sep-17)	1)CARE A1 (12-Aug-16)
5.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Dec-18)	1)CARE A; Stable (14-Sep-17)	1)CARE A (12-Aug-16)

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