AYM Syntex Limited

December 12, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	219.26 (enhanced from Rs.199.36 crore)	**CARE A; Stable [Single A; Outlook: Stable]**	**Reaffirmed**
Short term Bank Facilities	275.00 (enhanced from Rs.231.00 crore)	**CARE A1 (A One)**	**Reaffirmed**
Total Facilities	**494.26 (Rupees Four hundred ninety-four crore and twenty-six lakhs only)**		
Non-Convertible Debenture	-	-	**Withdrawn**
Commercial Paper	-	-	**Withdrawn**

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of AYM Syntex Ltd (ASL) continue to factor in significant experience of the management in the textiles business, established clientele, moderate capital structure and financial risk profile. 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 especially in the Bulk Continuous Filament (BCF) segment. The benefits of capacity addition are expected to be reflected in the top-line and bottom-line of the company starting Q4 FY19. The ratings also draw comfort from equity infusion made by the promoters in FY18 for capex plans and to strengthen liquidity of the company.

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 H1 FY19 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.
CARE has withdrawn the outstanding ratings of 'CARE A; Stable' and 'CARE A1' assigned to the proposed Non-convertible Debentures and proposed Commercial Paper issue respectively with immediate effect. The above action has been taken at the request of AYM Syntex Ltd. as these instruments have not been placed by the company.

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.

Established clientele with low customer concentration: The company has an established clientele and caters to customers like Welspun India Limited, Page Industries Limited among many other prominent clients. The top ten customers constitute just 30% to the total revenue thereby reducing customer concentration risk.

Capacity expansion to boost revenues and profitability going forward: Over the years, the company has been shifting focus from commodity products to value-added specialty products. The company has undertaken capex in FY18 and H1 FY19 for installation of sinning line, texturised machinery, sewing thread and BCF line. In the BCF line, the capacity is expected to increase by 50% from current capacity. BCF offers better margins than traditional yarn; thus expansion of BCF line is expected to improve profitability significantly. The impact of capacity addition on the top-line and bottom-line of the company will be visible from Q4 FY19 onwards.

[1] *Complete definition of the ratings assigned is 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 1.03x at the end of FY18 as against that of 1.23x times at the end of FY17. Though the company has incurred debt funded capex, the capital structure has remained stable due to infusion of equity by promoters to partly fund the capacity addition programme. Any further major capex is not envisaged. Going forward, the capital structure of the company is expected to remain stable largely on account of no further addition to debt and accretion of profits to reserves. The company has cash balance of Rs.7.70 crore and current investments of Rs.7.01 crore as on March 31, 2018. Further, the promoters are also expected to infuse Rs.12 crore into the company in Q4 FY19 to strengthen the liquidity position.

Key Rating Weaknesses

Input price fluctuation risk: The major raw materials for ASL are derivatives of crude oil and hence, move in tandem with the global oil prices, which are volatile in nature. In FY18, the Brent crude prices have shown substantial increase, thereby impacting the input cost and profitability.

Adverse impact on profitability: In FY18, PBILDT of the company declined substantially largely on account of higher input costs, lower realizations, lower demand and lower capacity utilization. Interest cost also increased during the year due to debt funded capex and higher working capital utilization. This has also led to decline in the interest coverage ratio from 4.39x in FY17 to 2.43x in FY18. Profitability has also declined from Rs.40.54 crore in FY17 to Rs.8.00 crore in FY18.

Weak performance in H1 FY19: The company reported weaker performance in H1 FY19 largely on account of increase in raw material prices. Although the prices continued to increase in H1 FY19; there has been a declining trend in prices post October 2018. Softening of Brent crude prices coupled with increase in sales realization from BCF yarn is expected to boost the top-line as well as bottom-line in H2 FY19.

Analytical approach: Standalone
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, 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.
During FY18 (refers to the period April 1 to March 31), ASL reported total income of Rs.855.95 crore with a PAT of Rs.8.00 crore compared with the total income of Rs.780.23 crore and profit after tax of Rs.40.54 crore in FY17.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	780.23	855.95
PBILDT	99.69	67.78
PAT	40.54	8.00
Overall gearing (times)	1.23	1.03
Interest coverage (times)	4.39	2.43

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: Ratnam Raju Nakka
Tel: 022 – 67543578
Email: ratnam.nakka@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	March 2016	-	January 2019	3.92	CARE A; Stable
Fund-based - LT-Term Loan	Mat 2012	-	March 2021	25.67	CARE A; Stable
Fund-based - LT-Term Loan	August 2012	-	December 2026	85.17	CARE A; Stable
Fund-based - LT-Term Loan	February 2015	-	December 2025	54.72	CARE A; Stable
Fund-based - LT-Term Loan	April 2012	-	December 2025	49.78	CARE A; Stable
Non-fund-based - ST-BG/LC	-	-	-	210.00	CARE A1
Fund-based-Short Term	-	-	-	65.00	CARE A1
Debentures-Non Convertible Debentures	-	-	-	0.00	Withdrawn
Commercial Paper	-	-	-	0.00	Withdrawn

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	219.26	CARE A; Stable	-	1)CARE A; Stable (14-Sep-17)	1)CARE A (12-Aug-16)	1)CARE A (15-Feb-16) 2)CARE A (27-Aug-15)
2.	Non-fund-based - ST-BG/LC	ST	210.00	CARE A1	-	1)CARE A1 (14-Sep-17)	1)CARE A1 (12-Aug-16)	1)CARE A1 (15-Feb-16) 2)CARE A1 (27-Aug-15)
3.	Fund-based-Short Term	ST	65.00	CARE A1	-	1)CARE A1 (14-Sep-17)	1)CARE A1 (12-Aug-16)	1)CARE A1 (15-Feb-16) 2)CARE A1 (27-Aug-15)
4.	Commercial Paper	ST	-	-	-	1)CARE A1 (14-Sep-17)	1)CARE A1 (12-Aug-16)	1)CARE A1 (15-Feb-16)
5.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A; Stable (14-Sep-17)	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 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
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