Press Release

Shri Anant Syntex Limited (SASL)
October 14, 2024

Ratings

Instrument/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	108.24	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	1.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	**109.24 (One Hundred and Nine Crore and Twenty-Four Lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The assignment of ratings to the bank facilities of SASL considers extensive experience of promoters in the fabric industry and established market presence, improving profitability margins and overall modest financial risk profile. The rating is however constrained by presence in fragmented and cyclical textile industry, susceptibility of profitability to volatile raw material prices and regulatory changes and working capital intensive nature of business.

The stable outlook reflects the fact that the entity will continue to benefit from its extensive experience of promoters in the fabric industry, improving profitability margins and overall modest financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in total operating income and EBITDA margins leading to improvement in debt protection metrics & capital structure with TOL/TNW reducing below 1.5x.

Downward Factors

- Any decline in revenue and/or profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stretch in the operating cycle impacting the company's liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in the fabric industry and established market presence**

  Shri Anant Syntex Limited commenced business in 1994 and was incorporated in 1986. The promoters of the company, Mr. Anil Soni, Mr. Rajendra Sharma & others, poses rich industry experience. Experience of the promoters support the company operations and have helped to compete in the highly competitive textile industry. The extensive experience also leads to established relations with customers as well as suppliers. The promoters are supported by a team of qualified professionals.

- **Improving profitability margins**

  The EBITDA margins have improved for the company from 9.51% in FY23 (Audited) [refers to period April 1, 2022, to Mar 31, 2023] to 10.81% in FY24 (Audited) [refers to period April 1, 2023, to Mar 31, 2024]. The EBITDA margins of the company improved on account of lower raw material costs. The price of yarn, which is their primary raw material, dropped from Rs. 2,29,771/- per MT in FY23 to Rs. 2,14,867/- per MT in FY24 whereas the price dyes and chemicals on the other hand have increased from Rs. 3,834/- per MT in FY23 to Rs. 4,569/- per MT in FY24. The PAT margin also improved from 2.66% in FY23 to 3.34% in FY24.

- **Overall modest financial risk profile**

  The overall gearing ratio on adjusted tangible net worth of the company as on 31st March 2024 is 1.08x (31st March 2023: 0.80x); deteriorated mainly on account of higher term loan for CAPEX. The TOL/TNW increased marginally from 1.47x as on 31st March 2023 to 1.73x as on 31st March 2024. The debt protection metrics stood moderate marked by interest coverage ratio of 2.53 times in FY24 (FY23: 2.33x). The DSCR for the company stood at

1.33x in FY24 (FY23: 1.19x). Further, total debt to NCA deteriorated to 7.76 years in FY24 as against 5.93 years in FY23. These debt protection metrics are expected to improve going ahead with the repayment of existing loans and incremental benefits from the CAPEX in the process and weaving division. The CAPEX would lead to increased capacity for the company thereby leading to improved sales and hence profitability of the company in the near term.

Key Rating Weaknesses

- **Presence in fragmented and cyclical textile industry**
  The textile industry in India is highly fragmented and dominated by a large number of medium and small-scale unorganized players leading to high competition in the industry. Furthermore, textile is a cyclical industry and closely follows the macroeconomic business cycles. The prices of raw materials and finished goods are also determined by the global demand supply scenario. Hence, any shift in the macroeconomic environment globally would have an impact on the domestic textile industry.

- **Susceptibility of profitability to volatile raw material prices and regulatory changes**
  Shri Anant Syntex Ltd profitability is susceptible to the movement in the prices of raw cotton. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario along with minimum support price (MSP) periodically revised by the Government. Volatility in the prices of raw cotton can impact the profitability margins of the company.

- **Working capital intensive nature of business**
  The operations of cotton industry are working capital intensive because of the high inventory level needed due to seasonal availability and volatility in prices of raw cotton and availability of dye and chemicals. Operating cycle stands moderate at 125 days in FY24 (FY23: 107 days). The average collection period is 69 days (FY23: 73 days) and the average inventory holding period stands at 135 days in FY24 (FY23: 102 days). The average creditors period stands at 79 days in FY24 as against 68 days in FY23.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Criteria for assigning Rating outlook.

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Financial Ratios & Interpretation (Non-Financial Sector).

Liquidity – Adequate

Shri Anant Syntex Limited liquidity remains adequate as evidenced by the company's working capital utilization which stood at an average of ~ 75.92% for the last 12-month period till July 2024. For FY24 the Company's GCA stood at Rs. 9.91 Crore as against projected repayment of Rs. 8.15 crore in FY25. Cash & Bank Balances as on 31st March 2024 stood at Rs. 1.02 Crore. The current ratio of the company stood at 1.31x as on 31st March 2024.

About the Company

Shri Anant Syntex Limited was incorporated in the year 1986, having its registered office at Bhilwara, Rajasthan. Presently, the company is engaged in processing & dyeing of synthetics fabrics on a job work basis & manufacturing of fabrics. The company has two manufacturing divisions. One Unit is engaged in processing & dyeing of cloth on a job work basis with a capacity of 4.87 crore meter (post CAPEX 5.80 crore meters) and the second unit is engaged in manufacturing & trading of Fabrics with a capacity of 1.40crore meter.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	182.68	166.90
EBITDA	17.36	18.04
PAT	4.87	5.60
Total Debt	52.85	76.82
Tangible Net Worth	65.83	71.42
EBITDA Margin (%)	9.51	10.81
PAT Margin (%)	2.66	3.34
Overall Gearing Ratio (x)	0.80	1.08
Interest Coverage (x)	2.33	2.53

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

The rating continues to remain under Issuer Not Cooperating category from Care Edge Ratings and Brickwork Ratings as per press release dated September 26, 2024 and March 1, 2024 respectively due to unavailability of information for monitoring of rating.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Facilities – Term Loan	Long Term	63.74	IVR BBB-/ Stable	-	-	-
2.	Long Term Facilities – Cash Credit	Long Term	44.50	IVR BBB-/ Stable	-	-	-
3.	Short Term Facilities – Inland Letter of Guarantee (ILG)	Short Term	1.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	-	-	-	Upto September 2031	63.74	IVR BBB-/Stable
Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	-	44.50	IVR BBB-/Stable
Short Term Non-Fund Based Working Capital Facilities – Inland Letter of Guarantee (ILG)	-	-	-	-	1.00	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Anant-Syntex-oct24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.