



Press Release

Avi Ansh Textile Limited

(Erstwhile Avi Ansh Textile Private Limited)

January 29, 2025

Ratings

Security / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	19.12 (reduced from 19.53)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	IVR BB; Negative; ISSUER NOT COOPERATING* (IVR Double B with Negative outlook; ISSUER NOT COOPERATING)	Rating upgraded and outlook revised and removed from ISSUER NOT COOPERATING category	Simple
Short Term Bank Facilities	0.20	IVR A3 (IVR A Three)	IVR A4; ISSUER NOT COOPERATING* (IVR A Four; ISSUER NOT COOPERATING)	Rating upgraded and removed from ISSUER NOT COOPERATING category	Simple
Total	19.32 (Rupees nineteen crore and thirty-two lakhs only)				

*Issuer did not cooperate; based on best available information

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

Infomerics Ratings has removed the ratings assigned to the bank facilities of Avi Ansh Textile Limited (AATL) from ISSUER NOT COOPERATING category based on adequate information received from the company to review its ratings.

The upgrade in the ratings assigned to the bank facilities of AATL considers improvement in the business performance of the company marked by rise in revenue and profitability leading to improvement in its debt protection metrics. Moreover, the ratings also continue to derive comfort from its experienced promoters and easy availability of raw material. However, these rating strengths remain constrained due to its moderate capital structure, exposure to associate entity, volatility in raw material prices affecting profitability and presence in intense competitive industry.



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The outlook is expected to remain stable based on Infomerics's expectation that India's textile and apparel sector will expand, and demand is going to remain stable in near future leading to stable business performance of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained and substantial improvement in revenue and profits of the company
- Improvement in capital structure with improvement in overall gearing to below 1x.
- Reduction in exposure to associate entity

Downward Factors

- Dip in operating income and/or dip in profitability impacting the gross cash accruals
- Deterioration in debt protection metrics with moderation in interest coverage to below 2x.
- Deterioration in capital structure with moderation in overall gearing to above 2x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters of the company have been in the textile business for more than 25 years. The directors of the company Mr. Anil Jain and Mrs. Geeta Jain have extensive experience of around three decades in the cotton industry, which strengthens the business risk profile of the company.

Easy availability of raw material

The company has easy access to raw materials as its manufacturing plant is located in Dera Bassi (Punjab), which is near to the cotton growing belt of the state. Favourable location of the plant also enables the company to save on logistics costs.

Improvement in business performance marked by rise in revenue and profitability

The company has achieved a revenue of Rs.141.73 crore in FY24 [FY refers to the period from April 01 to March 31] as compared to Rs.121.22 crore therefore registering a y-o-y growth of ~17% mainly on the back of increase in sales volume. The EBITDA margin has improved from 3.53% in FY23 to 6.50% in FY24 mainly on the back of decline in raw material consumption cost. Aided by rise in absolute EBITDA, the PAT margin has also improved from 0.21% in FY23 to 2.33% in FY24. On the back of improvement in profitability, gross cash



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accruals have also improved in FY24. In H1FY25, the company has achieved a revenue of Rs.66.29 crore.

Improvement in debt protection metrics

The debt protection metrics marked by interest coverage has improved from 2.61x in FY23 to 4.06x in FY24 on the back of rise in absolute EBITDA. Furthermore, on the back of improvement in profitability and consequent improvement in gross cash accruals, The Total Debt / EBITDA and Total debt/GCA has also improved from 5.02x and 7.79 years respectively as on March 31, 2023, to 3.63x and 5.39 years respectively as on March 31, 2024.

Key Rating Weaknesses

Moderate capital structure

The capital structure of the company continues to remain moderate marked by its modest tangible net worth base and moderate leverage ratios. The adjusted tangible net worth (ATNW) including subordinated unsecured loans of Rs.11.36 crore stood modest at Rs.27.12 crore as on March 31, 2024. The overall gearing ratio moderated further due to elevated debt levels attributable mainly to rise in working capital borrowings continues to remain moderate at 1.23x as on March 31, 2024 (0.94x as on March 31, 2023). The total indebtedness of the company marked by TOL/ATNW though moderated but remains comfortable at 1.40x on March 31, 2024 (1.04x as on March 31, 2023).

Exposure to associate entity

The company has extended corporate guarantee to the bank facilities of its associate entity Avi Ansh Enterprises Private Limited. Consequently, the credit risk profile of the company is restricted to an extent. Including the said corporate guaranteed debt, the overall gearing ratio of the company stood at 2.01x as on March 31, 2024. However, AATL is profitable and is generating adequate cash accruals to service its own debt obligations which imparts comforts to an extent.

Volatility in raw material prices affecting profitability

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years and thus the company's profitability remains susceptible to any adverse movement in cotton and yarn



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prices. However, the risk is mitigated to an extent on account of order-backed raw material procurement policy.

Presence in intense competitive industry

The spinning and weaving industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the company's pricing flexibility and bargaining power.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Policy on Default Recognition](#)

[Criteria on complexity](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term driven by sufficient cushion in expected accruals in the range of ~Rs.7.90-11.85 crore as compared to debt repayment obligation in the range of ~Rs.1.16-3.00 crore during FY25-27. Moreover, the company has no major near term capex plan, which imparts comfort. The operating cycle of the company remains moderate at 75 days in FY24, and the average fund-based utilisation remains moderate at ~85% during the last 12-month ended October 2024 indicating sufficient liquidity buffer.

About the Company

Incorporated in 2005, Avi Ansh Textile Limited (Erstwhile Avi Ansh Textile Private Limited) is involved in spinning, weaving, and finishing of textiles. The company has its manufacturing facility located in Dera Bassi, Punjab with a capacity of 26000 spindles and a production limit of 12-15 MT cotton yarn per day. Avi Ansh Textile Limited is listed in NSE SME platform from September 27, 2024.



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Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024	H1FY25
	Audited	Audited	Unaudited
Total Operating Income	121.22	141.73	66.29
EBITDA	4.28	9.22	4.26
PAT	0.26	3.31	1.01
Total Debt	21.47	33.45	-
Tangible Net Worth	12.49	15.76	-
Adjusted Tangible Net Worth	22.95	27.12	-
EBITDA Margin (%)	3.53	6.50	6.43
PAT Margin (%)	0.21	2.33	1.52
Overall Gearing Ratio (x)	0.94	1.23	-
Interest Coverage (x)	2.61	4.06	3.04

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The ratings of AATL continue to be classified under ISSUER NOT COOPERATING category by Brickwork Ratings as per Press Release dated June 12, 2024, due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Sep 16, 2024	Aug 10, 2023	Jun 07, 2022	-
1.	WCTL/ GECL	Long Term	2.12	IVR BBB-; Stable	IVR BB; Negative; ISSUER NOT COOPERATING	IVR BB+; Stable	IVR BB+; Stable	-
2.	Cash Credit	Long Term	17.00	IVR BBB-; Stable	IVR BB; Negative; ISSUER NOT COOPERATING	IVR BB+; Stable	IVR BB+; Stable	-
3.	Bank Guarantee	Short Term	0.20	IVR A3	IVR A4; ISSUER NOT COOPERATING	IVR A4+	IVR A4+	-



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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.

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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
WCTL/ GECL	-	-	-	FY28	2.12	IVR BBB-; Stable
Cash Credit	-	-	-	-	17.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	0.20	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-aviansh-jan25.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.