Rating Update

June 12, 2024 | Mumbai

Arvind Cotsyn India Limited

Update as on June 12, 2024

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward Factors

- Sharp and sustained revenue growth along with maintenance of healthy operating margin, leading to cash accruals of over Rs.70 crore on sustained basis
- Sustenance of healthy financial risk profile and liquidity

Downward Factors

- Decline in revenue and profitability, resulting in cash accrual below Rs 30 crore
- Large, debt-funded capital expenditure (capex) or stretched working capital cycle weakening the financial risk profile, particularly liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Arvind Cotsyn India Limited (ACIL; a part of the Arvind group) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 1989, ACIL is promoted by Mr Marda and his family members and manufactures synthetic yarn in Ichalkaranji, Maharashtra. It also operates windmills with installed capacity of 10.4 MW.

ADPL, established in 1982, manufactures cotton yarn and fabrics and operates windmills with installed capacity of 4.7 MW.

Please note: This advisory should not be construed as a rating reaffirmation.

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

Please note: This advisory should not be construed as a rating reaffirmation.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html

Please note: This advisory should not be construed as a rating reaffirmation.

CRISIL Ratings

Rating Rationale

April 06, 2023 | Mumbai

Arvind Cotsyn India Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.23 Crore**
Long Term Rating	**CRISIL BBB+/Stable (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB+/Stable' rating on the long-term bank facilities of Arvind Cotsyn India Limited (ACIL; a part of the Arvind group)**.**

The rating continues to reflect the extensive experience of the promoters in the textile industry and comfortable financial risk profile of the group. These strengths are partially offset by large working capital requirement and exposure to volatility in raw material (cotton) prices and government regulations.

Healthy demand and better realisations led to topline of Rs 576 crore and operating margin of 14.90% in fiscal 2022, against Rs 382 crore and 12.85%, respectively, in fiscal 2021. However, sharp rise in cotton prices and moderation in yarn prices have impacted the business performance, especially profitability, in fiscal 2023. Thus, revenue may decline by 7-10% in fiscal 2023 along with a steep dip in the operating margin, leading to lower-than-expected cash accrual.

Despite some moderation in operating performance, financial risk profile remains supported by healthy networth, limited external debt and surplus liquidity.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of ACIL and Arvind Dyeing and Bleaching Mills Pvt Ltd (ADPL), together referred to as the Arvind group, as the entities operate in the same business segment, are under common management and treasury, and have operational linkages.

Unsecured loan (Rs 9.87 crore as on March 31, 2022) extended by the promoters has been treated as neither debt nor equity as the loan is subordinated to external debt.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the promoters

The promoter family has more than six decades of experience in the textile industry. Their expertise in manufacturing cotton yarn, cloth and blended fabric along with the semi-integrated operations of the group have ensured sustenance of strong market position and healthy relationships with customers and suppliers. Also, the promoters have set up wind power assets in the past which add partial diversity in the revenue profile and also contribute to bottomline.

Comfortable financial risk profile

Financial risk profile should remain supported by steady accretion to reserve and the absence of any large, debt-funded capital expenditure (capex). Networth was Rs 242 crore and gearing below 0.21 time as on March 31, 2022. Debt protection metrics were strong, with interest coverage ratio of 23.26 times and net cash accrual to total debt ratio of 1.36 time in fiscal 2022. The financial metrics were estimated to remain comfortable in fiscal 2023 as well driven by limited debt. With no large debt funded capex on the anvil, the financial metrics are expected to remain at similar level over medium term.

Weaknesses:
Large working capital requirement
Gross current assets were sizeable at 184 days as on March 31, 2022, driven by inventory of 29 days and receivables of 100 days. Debtors remain elongated due to stretched payments towards power sale.

Exposure to volatility in raw material prices and government regulations
Since cost of procuring the key raw material (cotton, viscose staple fibre [VSF] and polyester staple fibre [PSF]) accounts for 70-75% of production cost, even a slight variation in price can drastically impact the operating margin. The group procures VSF and PSF from Reliance Industries Ltd ('CRISIL AAA/Stable/CRISIL A1+') and Grasim Industries Ltd ('CRISIL AAA/Stable/CRISIL A1+'), respectively, and has limited pricing power; cotton is procured from the market. Steep rise in cotton prices in the past quarters may impact operating performance, especially in ADPL, in fiscal 2023.

Furthermore, the group has windmill capacity of 15.1 megawatt (MW). Income from the wind division is susceptible to changes in government regulations such as cap on open access and selling price per unit.

Liquidity: Adequate
Liquidity should remain supported by the ample surplus available in cash accrual and bank lines. Bank limit utilisation was low at around 11% for the 12 months ended January 31, 2023. Cash accruals are expected to be quite sufficient against term debt obligation of Rs 6-7 over the medium term. The group maintains surplus liquidity in the form of unencumbered fixed deposits. Current ratio was healthy at 2.8 times on March 31, 2022. Low gearing and healthy networth aid financial flexibility.

Outlook: Stable
The Arvind group will continue to benefit from its established market position and longstanding relationships with customers and suppliers.

Rating Sensitivity Factors
Upward Factors
- Sharp and sustained revenue growth along with maintenance of healthy operating margin, leading to cash accruals of over Rs.70 crore on sustained basis
- Sustenance of healthy financial risk profile and liquidity

Downward Factors
- Decline in revenue and profitability, resulting in cash accrual below Rs 30 crore
- Large, debt-funded capital expenditure (capex) or stretched working capital cycle weakening the financial risk profile, particularly liquidity

About the Group
Incorporated in 1989, ACIL is promoted by Mr Marda and his family members and manufactures synthetic yarn in Ichalkaranji, Maharashtra. It also operates windmills with installed capacity of 10.4 MW.

ADPL, established in 1982, manufactures cotton yarn and fabrics and operates windmills with installed capacity of 4.7 MW.

Key Financial Indicator (Consolidated)

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	576.77	381.98
Reported profit after tax (PAT)	Rs crore	58.92	29.71
PAT margin	%	10.22	7.78
Adjusted debt/adjusted networth	Times	0.21	0.32
Interest coverage	Times	23.26	10.26

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

SIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	23	NA	CRISIL BBB+/Stable

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Arvind Dyeing and Bleaching Mills Private Limited	Full	Common management and business, and financial fungibility
Arvind Cotsyn India Limited	Full	Common management and business, and financial fungibility

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	23.0	CRISIL BBB+/Stable		--	31-01-22	CRISIL BBB+/Stable		--	02-11-20	CRISIL BBB/Stable	CRISIL BBB+/Stable
			--		--		--		--	06-10-20	CRISIL BBB/Stable	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	**23**	**ICICI Bank Limited**	**CRISIL BBB+/Stable**

This Annexure has been updated on 06-Apr-23 in line with the lender-wise facility details as on 31-Jul-21 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Cotton Textile Industry
Criteria for rating entities belonging to homogenous groups
Understanding CRISILs Ratings and Rating Scales
CRISILs Criteria for Consolidation

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com	Jaya Mirpuri Director **CRISIL Ratings Limited** B:+91 22 3342 3000 jaya.mirpuri@crisil.com Shirish A Mujumdar Associate Director **CRISIL Ratings Limited** B:+91 20 4018 1900 shirish.mujumdar@crisil.com Vishnu Patel Senior Rating Analyst	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Rutuja Gaikwad Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	**CRISIL Ratings Limited** B:+91 20 4018 1900 Vishnu.Patel@crisil.com	

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html