



**Press Release**  
**SARLA PERFORMANCE FIBERS LIMITED**  
**February 24, 2025**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.00	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	30.00	ACUITE A   Stable   Upgraded	-
Bank Loan Ratings	65.00	-	ACUITE A1   Assigned
Bank Loan Ratings	195.00	-	ACUITE A1   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	337.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 225.00 Cr. bank facilities of Sarla Performance Fibers Limited (SPFL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating to '**ACUITE A**' (read as **ACUITE Aa**) and the short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) on the Rs 112.00 Cr. bank facilities of Sarla Performance Fibers Limited (SPFL). The outlook is '**Stable**'.

**Rationale for rating upgrade**

The rating upgradation considers the migration of SPFL from 'Issuer Not Co-operative (INC)' status. The rating also factors in augmentation in profitability margins of the company with the expected continued growth in FY2025. The rating further continues to draw comfort from extensive experience of promoters in the specialty yarn business for over two decades, healthy financial risk profile of SPFL and adequate liquidity. The rating is constrained on account of working capital intensive operation, susceptibility of profitability to fluctuating raw material prices and foreign exchange fluctuation risk.

**About the Company**

Mumbai- based, SPFL, incorporated in 1993 is engaged in the manufacturing of specialized high tenacity yarns. The overall operations of the company are managed by Mr. Krishnakumar Jhunjhunwala. The yarn manufactured by the company are used in the manufacturing of automotive seat belts and trims, airbags, upholstery, dress, casual & athletic footwear, leather goods, soft luggage, lingerie, swimwear and sportswear. The company has two yarn manufacturing unit located in Silvassa, one dyeing unit at Vapi and one HT twisting unit at Dadra. The company also has Partially Oriented Yarn (POY) manufacturing unit in USA through its subsidiary; however same has been shut since December 2017. In 2021, an impairment of Rs. 24.37 Cr. against the plant was recognized. The company intends to either revive the plant with a local partner or divest, however, no fresh investments were made in the plant as on 31st March 2024. The management is monitoring the situation on a continuous basis.

**About the Group**

SFPL has two wholly owned subsidiaries under the name of Sarla Overseas Holdings Limited (SOHL) in the British Virgin Islands and Sarla Flex Incorporated, in the United States of America and one step down subsidiary Sarla Europe LDA at Portugal. They are into similar businesses.

**Unsupported Rating**

Not applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of Sarla Performance Fibers Limited and its subsidiaries including Sarla Overseas Holdings Limited (SOHL); Sarlaflex Inc and Sarla Europe LDA (Subsidiary of SOHL) for arriving at the rating.

### Key Rating Drivers

#### Strengths

**Experienced management and established track record in textile business and diversified clientele**

SPFL benefitted from the extensive experience of its promoters Mr. Krishnakumar Jhunjhunwala and Mr. Madhusudhan Jhunjhunwala, who collectively possess more than two decades of experience in the textile industry. SPFL was the first company to manufacture Nylon 66 in India that can be utilized in a range of applications. Over the years, the company has managed to create a strong client base of 294 customers and exports to around 62 countries. Due to demise of Mr. Madhusudhan Jhunjhunwala in July, 2021, the company is presently managed by Mr. Krishnakumar Jhunjhunwala. Nonetheless, the management has ensured a steady succession plan. The daughter and son of Mr. Krishnakumar Jhunjhunwala, Ms. Neha Jhunjhunwala and Mr. Kanav Jhunjhunwala are actively involved in the company's operations for the past 12 years and 3 years respectively. The promoters are adequately supported by highly qualified professionals.

Further, the company has an established clientele and caters to customers like Infiiloom India, Fitlene SL, Page Industries, Elevate textiles, American & Efird, etc. The yarn manufactured by the company is used in the manufacturing of automotive seat belts and trims, upholstery, athletic footwear, leather goods, soft luggage, lingerie, swimwear and sportswear. Further the special high tenacity yarn is a niche market, and the high strength yarn is used in the manufacturing of airbags, parachute etc. Leveraging their strong brand reputation, company expects swift utilisation of full capacity, resulting in increased sales volumes, higher realisations, and improved margins. Acuité believes that the extensive experience of the management and established global presence will strengthen the business risk profile over the medium term.

#### Improvement in overall operating performance albeit moderation in revenues

The revenue of the group stood at Rs 383.26 Cr. in the FY2024 as against Rs 387.40 Cr. in the FY2023. The slight decline in revenue is on account of pressure on realizations in the global market which is offset by the volume growth from 12.27 lakhs tons in FY2023 to 12.39 lakhs tons in FY2024. The average per kg realization stood at Rs. 299.24 per kg in FY2024 as against Rs. 307.91 per kg in FY2023. However, the revenue improved which stood at Rs 326.77 Cr. till 9MFY2025 as against the corresponding 9MFY24 at Rs 277.42 Cr. The EBITDA margins stood at 15.14 percent in FY2024 as against 14.67 percent in FY2023 on account of improvement in operating leverage during the FY2024, thus reflecting better operational performance and cost management albeit flat scale in the revenue operations. In addition to that EBITDA margin stood at 20.70 percent in 9MFY25 as against 14.00 percent in 9MFY24. The improvement is on account of change in purchase policy and passing on the raw material cost to end customers to an extent which supported overall improvement in profitability.

The PAT margins stood at 8.54 percent in FY2024 as against 5.52 percent in FY2023 on account of improvement in EBITDA margins, increase in non-operating income from Rs 9.88 Cr. in FY2023 to Rs 20.75 Cr. in FY2024 which mainly consist of interest income and fair valuation gain on investment. In addition to that PAT margin stood at 15.22 percent in 9MFY25 as against 7.68 Percent in 9MFY24. Acuite believes that the group would continue to improve its operating performance steadily over the medium term however, the sustained improvement in operating performance would remain a key monitorable over the near to medium term.

#### Healthy financial risk profile

The healthy financial risk profile of the group is marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible net worth stood at Rs. 427.78 Cr. as on March 31, 2024 as against Rs. 394.42 Cr. as on March 31, 2023 on account of accretion of reserves. The total debt of the company increased to Rs. 136.96 Cr. as on March 31, 2024 as against Rs. 108.52 Cr. as on March 31, 2023 on account of availing of term loan of Rs 23.00 Cr. and increase in short term debt in form of packing credit loan and foreign bill discounting. The gearing (debt to equity) but stood comfortable at 0.32 times as on March 31, 2024 as against 0.28 times as on March 31, 2023. The interest coverage ratio stood (ICR) remained flat at 13.56 times in FY2024 as against 13.80 times in FY2023. The DSCR of the company improved which stood at 3.04 times in FY2024 owing to healthy accruals and repayment of debt obligations during FY2024 as against 2.54 times in FY2023.

Acuité expects the financial risk profile of the group to remain healthy over the medium term on account of healthy accretion to reserves, absence of significant debt-funded capex and healthy profitability margins.

## **Weaknesses**

### **Working capital intensive nature of business**

The operations of the group are working capital intensive as reflected by high gross current assets (GCA) of 193 days in FY2024 as against 170 days in FY2023. The GCA is majorly dominated by higher inventory days of 95 days and 109 days during FY2024 and FY2023 respectively. The company has to maintain a high level of raw material inventory due to dependence on imports. Further, since more than 50 percent of company's revenue is derived from overseas clientele SPFL has to extend some credit period which is backed by letter of credit of upto 90 to 120 days alleviating the risk of uncollectible receivables. The debtor days for FY2024 stood at 89 days as against 58 days in FY2023. The creditors days for FY2024 stood at 65 days as against 53 days in FY2023. The average bank limit utilization (fund and non-fund based) are 48.98 percent for the five-month ended with December 2024. Acuité believes that, working capital operations of the group will remain working capital-intensive back by high inventory and collection days and any further deterioration will remain as a key rating monitorable.

### **Susceptibility of profitability to input prices and volatility in forex rates**

The cost of production and profit margin of the company is directly linked to crude oil prices. The raw material cost constituted around 56 percent in FY2023 and FY2024 against ~52 percent of the total revenue in FY2022. The fluctuation in raw material cost can be attributed to the changes in crude oil price, resultant the operating margins (EBITDA) have remained fluctuating ranging in 14.67 percent in FY2023 to 15.14 percent in FY2024 as against 20.19 percent in FY2022.

Further, the profit margin is also susceptible to foreign exchange fluctuation risk. In FY2024 there is net gain of Rs 0.19 Cr. in foreign currency transaction and translation as on March 31, 2024 as against the net loss of Rs 4.22 Cr. in March 31, 2023. However, the forex risk is naturally hedged to some extent as company also imports raw materials. The foreign inflows include exports that accounts for 56 percent of the revenue and outflows include raw material imports to the extent of 25-30 percent of revenue along with debt repayment against foreign currency loan, thereby creating a natural hedge. Additionally, the company maintains adequate forward cover to hedge the exposure in foreign currency which serves as a mitigation against the forex risk.

## **Rating Sensitivities**

- Consistent improvement in scale of operation while improving profitability margin
- Working capital management
- Deterioration in financial risk profile owing to any significant debt funded capex

## **Liquidity Position**

### **Adequate**

The liquidity of the group is adequate, marked by healthy net cash accruals against its debt repayments. Net cash accruals stood at Rs. 60.61 Cr. in FY2024 against Rs. 16.07 Cr. of repayment obligations for the same period. The working capital cycle days stood at 193 days as on March 31, 2024 as against 170 days as on March 31, 2023. The average bank limit utilization (fund and nonfund based) are 48.98 percent for the five-month ended with December 2024. Further the cash and bank balances have stood at Rs. 4.16 Cr. (including balance in unpaid dividend account of Rs 0.47 crore) for FY24. The current ratio of the company has improved i.e 1.18 times as on 31st March 2024 as against 1.13 times as on 31st March, 2023.

Acuité believes the liquidity of SPFL would remain adequate on account of healthy cash accruals against debt repaying obligations along with improvement in earnings.

## **Outlook:**

Stable

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	383.26	387.40
PAT	Rs. Cr.	32.72	21.38
PAT Margin	(%)	8.54	5.52
Total Debt/Tangible Net Worth	Times	0.32	0.28
PBDIT/Interest	Times	13.56	13.80

### Status of non-cooperation with previous CRA (if applicable)

Not applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Feb 2025	PC/PCFC	Short Term	31.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	PC/PCFC	Short Term	35.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	Letter of Credit	Short Term	39.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	PC/PCFC	Short Term	40.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2+)
	PC/PCFC	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
13 Nov 2023	PC/PCFC	Long Term	10.00	ACUITE A-   Stable (Downgraded from ACUITE A   Stable)
	PC/PCFC	Short Term	31.00	ACUITE A2+ (Downgraded from ACUITE A1)
	PC/PCFC	Short Term	35.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Letter of Credit	Short Term	39.00	ACUITE A2+ (Downgraded from ACUITE A1)
	PC/PCFC	Short Term	40.00	ACUITE A2+ (Downgraded from ACUITE A1)
17 Mar 2023	PC/PCFC	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	PC/PCFC	Short Term	31.00	ACUITE A1 (Reaffirmed)
	PC/PCFC	Short Term	35.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	39.00	ACUITE A1 (Reaffirmed)
	PC/PCFC	Short Term	40.00	ACUITE A1 (Reaffirmed)

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
Standard Chartered Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	39.00	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
Standard Chartered Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A1   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
CITI Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	31.00	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
Bank of Bahrain and Kuwait	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A   Stable   Upgraded ( from ACUITE BB+ )
DBS Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
P T Bank Maybank Indonesia (Formerly, Bank International Indonesia)	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1   Upgraded ( from ACUITE A4+ )
P T Bank Maybank Indonesia (Formerly, Bank International Indonesia)	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A1   Assigned
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A1   Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Feb 2028	47.00	Simple	ACUITE A   Stable   Assigned

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr No	Name of the entity
1	Sarla Performance Fibers Limited

2	Sarla Overseas Holdings Limited
3	Sarlaflex Inc
4	Sarla Europe LDA



## Contacts

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### About Acuité Ratings & Research

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