

Press Release Krishna Textile Process

October 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.91	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	13.09	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	14.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.14.00 Cr bank facilities of Krishna textile process (KTP) . The outlook is '**Stable**'. Rationale for the reaffirmation

The ratings reaffirmed continues to be supported by the moderate track record of operations, experienced management and moderate financial risk profile. The rating is, albeit, constrained by its working capital intensive operations and risks of withdrawal of capital by partners entity.

About the Firm

Based in Tamil Nadu Krishna Textile Process (KTP), established in 2002 is a partnership firm promoted by Mr. P. Gopalakrishnan and Mr. G. Ramachandran. The firm are engaged in dyeing of polyester, cotton and viscose fabrics. KTP is a part of Sudhama Group, founded in 1978 by Mr. P. Gopalakrishnan. It is engaged in manufacturing of knitted garments and exports the same to European countries,

Analytical Approach

Acuite has considered the standalone business and financial risk profile of KTP to arrive at the rating.

Key Rating Drivers

Strengths

- **Moderate track record and experienced management**

KTP established in 2002 is promoted by Mr. P. Gopalakrishnan and Mr. G. Ramachandran who collectively possess more than 38 years of experience in the textile industry. Acuite believes the moderate track record of operations and experience of management will continue to support the business risk profile over the medium term.

• **Moderate financial risk profile**

KTP has moderate financial risk profile mainly marked by moderate net worth, low gearing and moderate debt protection matrices. The tangible net worth of the firm stood at Rs.12.01 Cr as on 31 March, 2022(Prov.) as against Rs.10.49 Cr as on 31 March, 2021. The gearing of the firm stood at 0.86 times as on 31 March, 2022(Prov.) as against 1.06 as on 31 March, 2021. The gearing has improved as a result of lower debt. The total debt as on 31 March, 2021 consist of working capital limits from banks of Rs.10.35 Cr. Further, the interest coverage ratio stood at 4.03 times as on 31 March, 2022 as against 2.4 times as on 31 March, 2021. Debt service coverage ratio (DSCR) stood at 1.70 times as on 31 March, 2022 as against 2.40 times as on 31 March, 2021. The debt to EBITDA of the firm stood at 3.14 times as on 31 March, 2022(Prov.) as against 5.10 times as on 31 March, 2021. However, the TOL/TNW stood to 1.52 times as on 31 March, 2022(Prov.) as against 1.91 times as on 31 March, 2021. Acuité believes that the financial risk profile of the company would improve supported by increase in accruals in the medium term.

Weaknesses

• **Working capital intensive operation**

The operations of the firm is working capital intensive marked by moderate Gross Current Asset (GCA) days of 128 days as on 31 March, 2022(Prov.) as against 214 days as on 31 March, 2021. The improvement in the GCA days is an account of improved in inventory days and creditor days. Inventory days stood at 17 days as on 31 March, 2022(Prov.) as against 68 days as on 31 March, 2021. Subsequently, the payable period stood at 102 days as on March 31, 2022(Prov.) as against 198 days as on 31 March, 2021 respectively. The debtor day stood at 79 days as on 31 March, 2022(Prov.) as against 92 days as on March 31, 2021. Acuité believes that the operations of the KTP will remain working capital intensive over the medium term.

• **Risks of withdrawal of capital by partners**

Entity, being a partnership firm, is exposed to adverse capital structure risk, where any substantial capital withdrawal could negatively impact its net worth and capital structure and the liquidity position.

Rating Sensitivities

Positive

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.
- Sustainable improvement in Leverage and Solvency position of the firm.
- Sustainable improvement in Gross current assets (GCA) days.

Negative

- Any deterioration in working capital cycle and liquidity profile of the firm.
- Any deterioration in Revenue profile and leverage position of the firm.
- Anyweakening of financial risk profile of the firm.
- Any substantial capital withdrawal could impact its net worth and capital structure and the liquidity position.

Material covenants

None

Liquidity Position: Adequate

The firm's liquidity is adequate marked by adequate generation of net cash accruals in FY

Acuité Ratings & Research Limited

www.acuite.in

2022(Prov.) to its maturing debt obligations. The firm has generated cash accruals in the range of Rs.1.27-2.48 Cr during last two years ending FY2022 as against its long term debt obligations of Rs.0.56 -1.12 Cr for the same period. The current ratio stood at 1.25 times as on March 31, 2022(Prov.) .The firm maintained unencumbered cash and bank balances of Rs.0.004 crore as on March 31, 2022(Prov.). Acuité believes that KTP liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuité believes that KTP will continue to maintain a 'Stable' outlook over the medium term on account of the firms experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial increase in revenue or improvement in financial risk profile on account of effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in revenue or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	40.65	24.55
PAT	Rs. Cr.	1.63	0.38
PAT Margin	(%)	4.01	1.54
Total Debt/Tangible Net Worth	Times	0.86	1.06
PBDIT/Interest	Times	4.03	2.40

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jan 2022	Term Loan	Long Term	5.44	ACUITE B+ (Issuer not co-operating*)
	Standby Line of Credit	Short Term	0.40	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	0.42	ACUITE B+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.73	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.50	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.51	ACUITE A4 (Issuer not co-operating*)

29 Oct 2020	Bank Guarantee	Short Term	0.51	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	0.40	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.44	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.42	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.50	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.73	ACUITE B+ (Downgraded and Issuer not co-operating*)
02 Aug 2019	Term Loan	Long Term	5.44	ACUITE BB- (Issuer not co-operating*)
	Standby Line of Credit	Short Term	0.40	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.50	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.73	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.51	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	0.42	ACUITE BB- (Issuer not co-operating*)
23 May 2018	Cash Credit	Long Term	4.50	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	5.44	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.42	ACUITE BB- Stable (Assigned)
	Standby Line of Credit	Short Term	0.40	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.51	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	2.73	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	0.75	ACUITE BB- Stable (Assigned)
		Long		
01 Mar 2017	Term Loan	Term	6.31	ACUITE BB- Stable (Assigned)
	Standby Line of Credit	Short Term	0.15	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.25	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	1.54	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.77	ACUITE B+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE A4 Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.32	ACUITE B+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.