

Press Release
Krishna Textile Process

February 20, 2023

Rating Reaffirmed & Withdrawn



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Bank Loan Ratings	13.09	ACUITE B+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.91	-	ACUITE A4 Reaffirmed & Withdrawn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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed & withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.14.00 Cr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 withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

Rationale for the rating reaffirmation

The rating reaffirmation 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 below- financial risk profile mainly marked by low net worth, low gearing and moderate debt protection matrices. The tangible net worth of the firm stood at Rs.11.92 Cr as on March 31, 2022 as against Rs.10.49 Cr as on March 31, 2021. The gearing of the firm stood at 0.87 times in as on March 31, 2022 as against 1.06 as on March 31, 2021. The gearing has improved as a result of lower debt. The total debt as on March 31, 2022 consist of working capital limits from banks of Rs.10.36 Cr. Further, the interest coverage ratio stood at 3.94 times as on March 31, 2022 as against 2.4 times as on March 31, 2021. Debt service coverage ratio (DSCR) stood at 1.66 times as on March 31, 2022 as against 2.40 times as on 31 March, 2021. The debt to EBITDA of the firm stood at 3.24 times as on March 31, 2022 as against 5.10 times as on March 31, 2021. However, the TOL/TNW stood to 1.53 times as on 31 March, 2022 as against 1.91 times as on March 31, 2021.

Weaknesses

> **Working capital intensive operations**

The operations of the firm is working capital intensive marked by moderate Gross Current Asset (GCA) days of 127 days as on March 31, 2022 as against 214 days as on March 31, 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 March 31, 2022 as against 68 days as on March 31, 2021. Subsequently, the payable period stood at 79 days as on March 31, 2022 as against 198 days as on March 31, 2021 respectively. The debtor day stood at 152 days as on March 31, 2022 as against 92 days as on March 31, 2021.

> **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

- Improvement in the scale of operations and profitability while maintaining the capital structure
- Any deterioration in working capital cycle and liquidity profile of the firm.

Material covenants

None

Liquidity Position: Adequate

The firm's liquidity is adequate marked by modest generation of net cash accruals in FY 2022 to its maturing debt obligations. The firm has generated cash accruals in the range of Rs.1.27-2.39 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 1.30 times as on March 31, 2022 .The firm maintains unencumbered cash and bank balances of Rs.0.01 cr as on March 31, 2022. Acuité believes that KTP's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook:

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	40.59	24.55
PAT	Rs. Cr.	1.54	0.38
PAT Margin	(%)	3.80	1.54
Total Debt/Tangible Net Worth	Times	0.87	1.06
PBDIT/Interest	Times	3.94	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>
- Manufacturing Entities: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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 level of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Oct 2022	Proposed Bank Facility	Short Term	0.91	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.77	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	4.32	ACUITE B+ Stable (Reaffirmed)
27 Jan 2022	Cash Credit	Long Term	4.50	ACUITE B+ (Issuer not co-operating*)
	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*)
	Bank Guarantee	Short Term	0.51	ACUITE A4 (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.51	ACUITE A4 (Downgraded and Issuer not co-operating*)

29 Oct 2020	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*)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

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