

Press Release

Sakthi Infra Tex Private Limited

November 03, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.68.00 Cr. (Enhanced from Rs.39.00 Cr.)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.68.00 crore bank facilities of Sakthi Infra Tex Private Limited (SITPL).

Tamil Nadu-based, Sakthi Infra Tex Private Limited (SITPL) is incorporated in the year 2014. Promoted by Mr. G. Sakthivel and Ms. S. Punithavathi, SITPL is engaged in manufacturing and exporting of hosiery fabrics and hosiery readymade garments including T-Shirts, Baby wears to name a few. It exports to countries like Spain, USA, Israel, Portugal, France, Hong Kong, UK. The company outsources all the manufacturing activities to the domestic players in Tirupur.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SITPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations and reputed clientele**

SITPL is engaged in the manufacturing and exporting of hosiery fabrics and hosiery readymade garments including T-Shirts, Baby wears to name a few. The promoters have more than two decades of experience in the textile industry. The extensive experience of promoters has helped the company establish relations for repeat orders. The company has established presence across Europe, USA and UK.

Acuite believes that SITPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

Weaknesses

- **Average financial risk profile**

The financial risk profile of SITPL is marked by moderate net worth, high gearing and modest debt protection metrics. Net worth stood at Rs.15.94 crore as on March 31, 2020 (Provisional) against Rs.11.04 crore as on March 31, 2019. Gearing stood high at 4.27 times as on March 31, 2020 (Provisional) as compared to 4.53 times in the previous year. Total debt comprises short term debt of Rs.68.04 crore. The TOL/TNW stood high at 6.02 times as on March 31, 2020 (Provisional) as compared to 6.49 times as on March 31, 2019. The revenue of the company increased to 152.83 crore for FY2020 (Provisional) from 122.23 crore in FY2019, while its operating margins reduced to 2.35 percent in FY2020 (Provisional) from 3.28 percent in the previous year. The low profitability coupled with high gearing level has led to below average debt protection measures. The NCA/TD and interest coverage ratio for FY2020 (Provisional) were moderate at 0.03 times and 1.42 times, respectively.

- **Working capital intensive nature of operations**

SITPL's operations are working capital intensive in nature as reflected in its gross current assets (GCA) of 248 days in FY2020 (Provisional) as against 226 days in FY2019. The high GCA days emanates from moderate inventory days of 111 days for FY2020 (Provisional) as compared to 83 days for FY2019. The debtor days stood at 75 days for FY2020 (Provisional) as compared to 111 days for FY2019. The company has been highly reliant on working capital borrowings to sustain operations, for which the utilization was more than 90 percent for the past six months ended September 2020.

Acuite believes that the working capital cycle will continue to be intensive over the medium term.

• Highly fragmented and competitive industry

The company operates in a highly fragmented and competitive industry marked by the presence of a large number of organised and unorganised players. SITPL is exposed to intense competition from both domestic players as well as the established players in the overseas market.

Liquidity position: Stretched

Liquidity profile of the company is stretched marked by the current ratio of 1.16 times for as on 31 March 2020 (Provisional). SITPL's operations were working capital intensive marked by GCA days of 248 for FY2020 (Provisional). The reliance on working capital borrowings remained high with more than 90 percent utilization of working capital limits for the last six months ending September 2020. The company maintains unencumbered cash and bank balances of Rs.3.80 crore as on March 31, 2020 (Provisional). Acuite believes that the liquidity of the company is likely to remain stretched over the medium term.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any deterioration in liquidity

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	152.83	122.23
PAT	Rs. Cr.	1.89	0.73
PAT Margin	(%)	1.24	0.60
Total Debt/Tangible Net Worth	Times	4.27	4.53
PBDIT/Interest	Times	1.42	1.69

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

None

Any other information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18 Mar 2020	PC/PCFC	Short Term	39.00	ACUITE A4 (Reaffirmed)
03 Jan 2019	PC/PCFC	Short Term	39.00	ACUITE A4 (Downgraded from ACUITE A4+)
12 Jan 2018	PC/PCFC	Short Term	10.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Name of the Bank	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	68.00 (Enhanced from Rs.39.00 Cr.)	Canara Bank	ACUITE A4 (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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