



**Press Release**  
**SAKTHI INFRA TEX PRIVATE LIMITED**  
**November 30, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BBB-   Stable   Upgraded	-
Bank Loan Ratings	149.00	-	ACUITE A3   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	150.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and its short term rating to **ACUITE A3** (read as **Acuite A three**) from **ACUITE A4** (read as **Acuite A four**) on the Rs.150.00 Cr bank facilities of SAKTHI INFRA TEX PRIVATE LIMITED (SITPL). The outlook is '**Stable**'

**Rationale for the rating:**

The rating upgrade factors the change in analytical approach which has led to significant improvement in the business and financial risk profile of the SITPL. The rating factors the group's vertically integrated business model, stable operating performance marked by improving revenue and profitability margins backed by strong customer base and moderate financial risk profile. The turnover of the group stood at Rs.820.41 Cr in FY2023 as against Rs.748.78 Cr in FY2022. The operating margin stood at 5.64% in FY2023 as against 5.03% in FY2022. In Q1FY2024, the group has reported turnover of Rs.278 Cr. Further, the financial risk profile of the group is above average marked by low gearing and comfortable debt protection metrics. The overall gearing of the group stood at 0.93 times as on March 31, 2023 as against 1.21 times as on March 31, 2022.

However, the rating is constrained by the working capital intensive operations, susceptibility to fluctuation in raw material prices and high bank limit utilisation. Going forward, the ability of the company to improve its scale of operations while maintaining its profitability margins and capital structure and restricting further elongation of its working capital cycle will remain a key rating monitorable.

**About Company**

Tamil Nadu-based, Sakthi Infra Tex Private Limited (SITPL) was 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. SITPL exports to countries like Spain, USA, Israel, Portugal, France, Hong Kong, UK. SITPL outsources all the manufacturing activities to the domestic players in Tripura

**About the Group**

The Group was Founded on 1991, is a vertically integrated textile company with a large-scale state-of-the-art operation based in and around Tirupur. The fully-integrated garment manufacturing pipeline includes Spinning, Knitting, Processing, Printing, Embroidery, Garmenting and Testing. the group consists of four companies i.e Lakshmivel Mills Private Limited (LMPL), CIBI International Private Limited (CIPL), Gungan Knitwears Private Limited (GKPL).

Lakshmivel Mills Private Limited is engaged in spinning of yarn and is located at a site with an area of 2,30,000 Sq. Ft. is located in Kullampalayam, near Perundurai (Tamil Nadu). The plant

has an installed capacity of 21432 spindles, producing 37 lakh kg of yarn annually. LMPL is primarily engaged in spinning of hosiery yarn out and it procures cotton from open market. CIBI International Private Limited (CIPL) is engaged in manufacturing of hosiery garments. CIPL procures knitted fabrics and cuffs and collar from Gungan Knitwears Private Limited (GKPL). GKPL procures yarn from LMPL and knits in into fabric as per requirement. The company's manufacturing facility is located in Perundurai and has the capacity to produce 134967600 units of garments annually. The company has 12497 sewing machines. Gungan Knitwears Private Limited (GKPL) is the knitting division of the group, equipped with 240 knitting machines, having a capacity to produce 15600 metric tonnes of knitted fabric annually. The unit manufactures a wide-range of fabrics, including Single Jersey, Rib and Interlock with varied diameter with specifications ranging from 16" to 60". The unit also produces distinguished and special fabrics like fleece, pique, elasthan and platted jersey.

### **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 profiles of the Sakthi Infra Tex Private Limited (SITPL), Lakshmivel Mills Private Limited (LMPL), CIBI International Private Limited (CIPL) and Gungan Knitwears Private Limited (GKPL) due to common management, operational and financial interlinkages to arrive at this rating. Both the entities are herein referred to as Group or Sakthi Group.

In the past rating review's team has considered the standalone business and financial risk profiles of the Sakthi Infra Tex Private Limited (SITPL) to arrive at the rating. The change in approach is on account of significant operational and financial interlinkages between the entities and common management.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced management and established track record**

Sakthi group is a promoted by Mr. Sakthivel Govindaswamy and Mr. Sakthivel Punithavathi with more than three decades of experience in the cotton yarn industry. The group is engaged in vertically integrated garment manufacturing including Spinning, Knitting, Processing, Printing, Embroidery, Garmenting and Testing.

With a long track record of operations in Tirupur, Sakthi Group is one of the renowned cotton yarn manufacturer with a total spinning capacity of 21432 spindles, 12497 sewing machines and equipped with 240 knitting machines along with 13 megawatt (MW) windmill and solar power for captive consumption. The group manufactures and exports the hosiery fabrics and hosiery readymade garments including T-Shirts, Baby wears, etc. It exports to countries like Spain, USA, Israel, Portugal, France, Hong Kong, UK. The promoter's extensive industry experience and established existence has helped the Sakthi Group to establish a long standing relationship with its key suppliers and customers.

The extensive experience of promoter is also reflected in the performance of the group. The turnover of the group stood at Rs.820.41 Cr in FY2023 as against Rs.748.78 Cr in FY2022. EBITDA margin stood at 5.64 percent as on FY2023 as against 5.03 percent as on FY2022. PAT margins stood at 1.84 per cent in FY2023 as against 1.71 percent in FY2022.

Acuite believes that group will benefit from Experienced management and established track record of operations for the near medium term.

##### **Above average Financial Risk profile**

The financial risk profile of the group is above average marked by healthy capital structure and moderate debt protection metrics. The net worth of the group stood at Rs.225.65 Cr as

on March 31, 2023 against Rs.196.36 Cr in the March 31, 2022. The debt-equity ratio improved in FY2023 and stood at 0.93 times as on March 31, 2023 as against 1.21 times as on March 31, 2022. The improved net-worth, negligible debt funded capex in the FY2023, resulted in improvement of debt equity ratio. The total debt of Rs.209.34 Cr as on March 31, 2023 consist of long-term debt of Rs.36.11 Cr, unsecured loans from directors of Rs.1.41 Cr, Short term debt of Rs.154.15 Cr and maturing portion of long term borrowings of Rs.17.68 Cr. In FY2024, the group plans to initiate a capex expenditure project of Rs.24.00 Cr for installation of windmills with total capacity of 2.70 MW. The project is planned to be funded by debt of rs. 19.20 Cr and balance by internal accruals and is expected to be completed by end of FY2024. TOL/TNW (Total outside liabilities/Total net worth) has improved and stood at 1.68 times as on 31 March, 2023 against 2.03 times in previous year.

The debt protection metrics is moderate with Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) at 2.76 times and 1.39 times respectively in FY2023 as against 2.59 and 1.14 times respectively in the previous year. NCA/TD (Net cash accruals to total debt) stands stable at 0.13 times in FY2023 as against 0.09 times in FY2022.

Acuite believes that the financial risk profile of the Sakthi group will continue to remain above -average in the near medium term even after considering the debt funded capex plan.

## **Weaknesses**

### **Working capital intensive operations**

The working capital management of the group is moderately intensive in nature marked by high Gross Current Assets (GCA) of 206 days as on March 31, 2023 compared to 225 days as on March 31, 2022 owing to increasing inventory, moderate debtor days and other current assets. The debtor days improved and stood at 50 days as on March 31, 2023 as against 77 days as on 31st March 2022. The inventory days are stretched to 106 days as on March 31, 2023 as against 85 days as on March 2022. The creditor days stood at 178 days as on March 31, 2023 as against 252 days as on March 31, 2022. The high GCA days has led to high Bank Limit utilization for the fund based facilities of SITPL at an average of nearly of 83.10% for the 12 months ending June 2023 Acuite believes that working capital of the group continues to be intensive based on the industries nature of operations.

### **Susceptibility to fluctuation in raw material prices**

The Group's profitable margins are susceptible to fluctuations in the prices of major raw material i.e. Raw cotton. Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall affects the availability of cotton in adverse weather conditions. Furthermore, any abrupt change in cotton prices due to supply demand scenario and government regulations of changes in Minimum Support Price (MSP) can lead to distortion of prices and affect the profitability of players across the cotton value chain. Acuite believes that group's business profile and financial profile can be adversely impacted on account of presence of inherent risk of susceptibility of volatility in raw cotton prices, since the industry is highly commoditized.

## **Rating Sensitivities**

- Sustainable improvement in Profitability, Leverage position of the group.
- Any deterioration in working capital cycle and liquidity profile of the group.

## **All Covenants**

None

### **Liquidity Position: Adequate**

The group's liquidity position is adequate marked by sufficient generation of net cash accruals in FY2023 to its maturing debt obligations. The group has generated cash accruals in the range of Rs.27.39 - 21.60 Cr during last two years ending March 31, 2023 as against its long term debt obligations of Rs.15.67 -14.53 Cr for the same period. The cash and bank balances of the group stood at Rs.6.32 Cr as on March 31, 2023. The group is expected to generate healthy NCAs in range of Rs.32-44 Cr. against maturing debt obligations of Rs.15 Cr. over the medium term. The Bank Limit Utilization for the fund based facilities of SITPL is highly utilized at

an average of nearly of 83.10% for the 12 months ending June 2023. The current ratio stood moderate at 1.48 times as on March 31, 2023 Acuite believes that the liquidity position of the group will remain adequate over the medium term.

**Outlook: Stable**

Acuité believes that group will continue to benefit over the medium term from its experienced management and above average financial risk profile. The outlook may be revised to 'Positive', in case of sustainable improvement in sales volumes and realizations of the group leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case Sakthi Group registers lower than-expected revenues and profitability or any significant stretch in its working capital management or larger-than expected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	820.41	748.78
PAT	Rs. Cr.	15.12	12.77
PAT Margin	(%)	1.84	1.71
Total Debt/Tangible Net Worth	Times	0.93	1.21
PBDIT/Interest	Times	2.76	2.59

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. 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 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
27 Jan 2023	Cash Credit	Long Term	1.00	ACUITE B+   Stable (Assigned)
	Packing Credit	Short Term	17.00	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	57.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A4 (Assigned)
	Packing Credit	Short Term	68.00	ACUITE A4 (Reaffirmed)
04 Feb 2022	Packing Credit	Short Term	68.00	ACUITE A4 (Reaffirmed)
03 Nov 2020	Packing Credit	Short Term	68.00	ACUITE A4 (Reaffirmed)
18 Mar 2020	Packing Credit	Short Term	39.00	ACUITE A4 (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	57.00	ACUITE A3   Upgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB-   Stable   Upgraded
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3   Upgraded
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	85.00	ACUITE A3   Upgraded



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### 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.

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