



Press Release
SAKTHI INFRA TEX PRIVATE LIMITED
February 27, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	180.00	-	ACUITE A3 Assigned
Bank Loan Ratings	149.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	330.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and reaffirmed the short-term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs. 150.00 crore bank facilities of Sakthi Infra Tex Private Limited (SITPL). The outlook is ‘**Stable**’.

Acuite has assigned short term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the enhanced amount of Rs.180.00 crore bank facilities of Sakthi Infra Tex Private Limited (SITPL).

Rationale for the rating reaffirmation

The rating reaffirmation factors in the change 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.847.89 Cr. in FY2024 as against Rs.820.41 Cr. in FY2023. The operating margin stood at 7.87 per cent in FY2024 as against 5.77 per cent in FY2023. Further, the financial risk profile of the group is moderate marked by moderate gearing and moderate debt protection metrics. The overall gearing of the group stood at 1.20 times as on March 31, 2024 as against 0.93 times as on March 31, 2023. 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 the 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 Tirupur.

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), Gudan Knitwears Private Limited (GKPL).

Lakshmivel Mills Private Limited (LMPL) is engaged in spinning of yarn and is located at a site with an area of 2,30,000 Sq. Ft. is 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 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 Gudan Knitwears Private Limited (GKPL). GKPL procures yarn from LMPL and knits into fabric as per requirement. The company's manufacturing facility is located in Perundurai and has capacity to produce 134967600 units of garments annually. The company has 12497 sewing machines.

Gudan 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, elastan 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 Gudan 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 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 a 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. Acuite believes, the promoter's extensive industry experience and established existence continue to help the Sakthi Group to establish a long standing relationship with its key suppliers and customers.

Moderation in operating performance

The revenue of the group stood at Rs.847.89 Cr. in FY2024 as against Rs.820.41 Cr. in FY2023. EBITDA margin stood at 7.87 percent as on FY2024 as against 5.77 percent as on FY2023. PAT margins stood at 2.77 per cent in FY2024 as against 1.84 percent in FY2023. The group has registered the revenue of around Rs. 929 Cr. in 11MFY2025. Acuite believes that group will continue to exhibit moderate operating performance in near to medium term.

Moderate Financial Risk profile

The financial risk profile of the group is moderate marked by moderate capital structure and debt protection metrics. The net worth of the group stood at Rs.252.53 Cr. as on March 31, 2024 against Rs.225.65 Cr. in the March 31, 2023. The debt-equity ratio stood at 1.20 times as on March 31, 2024 as against 0.93 times as on March 31, 2023. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.85 times as on 31 March, 2024 against 1.68 times in previous year. The debt protection metrics are moderate with Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) at 2.77 times and 1.47 times respectively in FY2024 as against 2.67 and 1.38 times respectively in the previous year. NCA/TD (Net cash accruals to total debt) stands stable at 0.12 times in FY2024 as against 0.13 times in FY2023. Acuite believes that the financial risk profile of the Sakthi group will continue to remain moderate in the near medium term.

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 228 days as on March 31, 2024 compared to 197 days as on March 31, 2023 owing to increasing inventory, moderate debtor days and other current assets. The debtor days stood at 59 days as on March 31, 2024 as against 50 days as on 31st March 2023. The inventory days stood at 101 days as on March 31, 2024 as against 106 days as on March 2023. The creditor days stood at 212 days as on March 31, 2024 as against 178 days as on March 31, 2023. The high GCA days has led to high Bank Limit utilization for the fund-based facilities of SITPL at an average of nearly 78.18 per cent for the 6 months ending January 2025. 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 scale of operations and profitability
- Changes in financial risk profile of the group owing to higher-than-expected debt funded capex.
- Any deterioration in working capital cycle and liquidity profile of the group

Liquidity Position

Adequate

The group's liquidity position is adequate marked by sufficient generation of net cash accruals in FY2024 to its maturing debt obligations. The group has generated cash accruals of Rs.37.70 Cr. during last year ending March 31, 2024 as against its long term debt obligations of Rs.17.68 Cr. for the same period. The cash and bank balances of the group stood at Rs.3.92 Cr. as on March 31, 2024. The Bank Limit Utilization for the fund based facilities of SITPL is highly utilized at an average of nearly of 78.18 per cent for the 6 months ending January 2025. The current ratio stood moderate at 1.29 times as on March 31, 2024, as against 1.33 times as on March 31, 2023. Acuite believes that the liquidity position of the group will remain adequate over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	847.89	820.41
PAT	Rs. Cr.	23.50	15.12
PAT Margin	(%)	2.77	1.84
Total Debt/Tangible Net Worth	Times	1.20	0.93
PBDIT/Interest	Times	2.77	2.67

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. 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Nov 2023	Packing Credit	Short Term	85.00	ACUITE A3 (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	7.00	ACUITE A3 (Upgraded from ACUITE A4)
	Bills Discounting	Short Term	57.00	ACUITE A3 (Upgraded from ACUITE A4)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE B+ Stable)
27 Jan 2023	PC/PCFC	Short Term	68.00	ACUITE A4 (Reaffirmed)
	PC/PCFC	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)
	Cash Credit	Long Term	1.00	ACUITE B+ Stable (Assigned)
04 Feb 2022	PC/PCFC	Short Term	68.00	ACUITE A4 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	57.00	Simple	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A3 Assigned
Federal Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	85.00	Simple	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	85.00	Simple	ACUITE A3 Assigned
Federal Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A3 Assigned

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

Sr. No	Name of Company
1	Lakshmivel Mills Private Limited (LMPL)
2	CIBI International Private Limited (CIPL)
3	Gugan Knitwears Private Limited (GKPL)
4	Sakthi Infra Tex Private Limited (SITPL)

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About Acuité Ratings & Research

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