

## Press Release

Shristi Cotspin Private Limited

November 11, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	-	ACUITE A4+   Assigned
Bank Loan Ratings	10.73	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	18.93	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	53.59	ACUITE BB+   Stable   Assigned	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	93.25	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long term rating to '**ACUITE BB+**' (read as **ACUITE double 'B plus'**) and has reaffirmed its short term rating of '**ACUITE A4+**' (read as **ACUITE A four 'plus'**) on the Rs.29.66 Cr bank facilities of Shristi Cotspin Private Limited (SCPL) .

Further, Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double 'B plus'**) and the short-term rating of **ACUITE A4+** (Read as **ACUITE A four 'plus'**) on the Rs. 63.59 Cr bank facilities of SCPL.  
The outlook is '**Stable**'.

### Rationale for the Rating

The ratings continue to be supported by the experienced management and moderate financial risk profile. The rating is, albeit, constrained by its working capital intensive operations and exposure to supplier concentration risk and intense competition.

### About the Company

Shristi Cotspin Private Limited (SCPL), a Coimbatore based company incorporated in 1995, is engaged in manufacturing of cotton yarn and fabrics. The promoters of the company were previously engaged in trading of hosiery yarn from 1970. The company has 16,800 spindles and 720 rotors and produces yarn of count ranging from 30's to 50's.

### Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of SCPL to arrive at the rating.

### Key Rating Drivers

Acuite Ratings & Research Limited

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## Strengths

- **Experienced management and establish track record of operations**

SCPL was incorporated in 1995 as a private limited company. The company has established presence in the cotton yarn manufacturing business of more than twodecades leading to longstanding relations with its customers and suppliers. The promoters of the company, Mr. Shyamlal Agarwala, Mr. Manoj Kumar Jhajharia, Mr. Arun Kumar Jhajharia and Mr. Pramod Kumar Jhajharia are in the textile segment since 1970's as they initially started with trading of hosiery yarn. The extensive experience of the promoters has helped company to grow, which is well evident through increase in revenues in FY2022 which stood at Rs. 347.57 Cr as against Rs. 103.62 crore in FY2021. Acuité believes the company will benefit from the experienced management and establish presence in textile industry.

- **Moderate financial risk profile**

The company has moderate financial risk profile is marked by moderate net worth, high gearing and healthy debt protection metrics. The net worth of the company stood at Rs.36.38 Cr and Rs.20.90 Cr as on March 31, 2022 and 2021 respectively. The improvement in net worth is due to accretion of reserves. The gearing of the company has been deteriorating over the last 2 years ending March 31, 2022. It stood at 2.45 times as on March 31, 2022 against 1.88 times as on March 31, 2021. The deterioration is on account of increase in short term limits and low net worth. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 7.28 times and 3.3 times as on March 31, 2022 respectively as against 4.41 times and 2.36 times as on March 31, 2021 respectively. TOL/TNW stood at 3.07 times and 2.51 times as on March 31, 2022 and 2021 respectively. The debt to EBITDA of the company stood at 2.97 times as on March 31, 2022 as against 4.09 times as on March 31, 2021. Acuité believes the financial risk profile of the company will be moderate backed by improving scale of operations and moderate level of debt funded capex plan.

## Weaknesses

- **Working capital intensive nature of operations**

The working capital management of the company remained moderate with GCA days at 118 days as on March 31, 2022 as against 199 days as on March 31, 2021. The improvement in GCA days is on account of improvement inventory days. Inventory days stood at 30 days as on March 31, 2022 as against 93 days as on March 31, 2021. Subsequently, the payable period stood at 19 days as on March 31, 2022 as against 38 days as on March 31, 2021 respectively. The debtors day stood at 65 days as on March 31, 2022(Prov.) as against 88 days as on March 31, 2021. Further, the average bank limit utilization in the last six months ended September, 2022 remained at ~13.41 percent for fund based. Cotton is available seasonally; however, manufacturing and sales operations are carried out throughout the year. Hence, Acuité believes that the operations shall continue to be working capital intensive over the medium term.

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

SCPL 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. Acuité believes that the company'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

### Positive

- Significant and sustainable improvement in the scale of operations
- Sustainable improvement in Profitability, Leverage and Solvency position of the company.
- Sustainable improvement in realization per unit of the products offered by the company .

### Negative

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Any deterioration in volume and realization per unit of the products offered by the company.
- Any weakening of financial risk profile of the company.

## Material covenants

None

### Liquidity Position: Adequate

The company's liquidity is adequate marked by adequate cash accruals in the range of Rs.19.56 Cr in FY2022 as against its maturing long - term debt obligations in the range of Rs.5.57 Cr for the same period. The current ratio stood at 1.45 times as on March 31, 2022 against 1.33 in previous year. Unencumbered cash and bank balances stood at Rs. 0.77 Cr as on March 31, 2022. SCPL is expected to generate NCA in range of Rs.2.33-2.53 Cr against modest maturing debt obligations in range of Rs.19.55-20.66 Cr over the medium term. Acuité believes that the liquidity of the company will improve supported by increase in accruals in the medium term.

### Outlook: Stable

Acuité believes that SCPL will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry, decent unexecuted order book and capex underway for upgradation of machinery. The outlook may be revised to 'Positive', in case of sustainable improvement in scale of operations and improvement in volumes and per unit realizations of the products offered by the company leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case SCPL 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.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	347.57	103.62
PAT	Rs. Cr.	15.47	3.66
PAT Margin	(%)	4.45	3.54
Total Debt/Tangible Net Worth	Times	2.45	1.88
PBDIT/Interest	Times	7.28	4.41

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

India Ratings, vide its Press Release dated 09th September, 2022, had reaffirmed SCPL to IND-RA BB/A4+; Issuer Not Cooperating.

### 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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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 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
16 Aug 2021	Bank Guarantee	Short Term	0.30	ACUITE A4+ (Withdrawn)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Withdrawn)
	Term Loan	Long Term	2.73	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Bills Discounting	Short Term	4.93	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.61	ACUITE BB+ (Upgraded and Withdrawn)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
15 May 2020	Bills Discounting	Short Term	2.30	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	4.35	ACUITE BB   Stable (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE BB (Withdrawn)
	Cash Credit	Long Term	4.00	ACUITE BB   Stable (Reaffirmed)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)

	Term Loan	Long Term	0.61	ACUITE BB   Stable (Reaffirmed)
11 Apr 2019	Cash Credit	Long Term	4.00	ACUITE BB   Stable (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BB   Stable (Reaffirmed)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	5.40	ACUITE BB   Stable (Reaffirmed)
		Long		
	Term Loan	Term	0.44	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	1.42	ACUITE BB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BB+   Stable   Assigned
Union Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	4.93	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A4+   Reaffirmed
HDFC Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4+   Assigned
Catholic Syrian Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB+   Stable   Reaffirmed
Catholic Syrian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Jul 3 2017 12:00AM	10.30	Sep 30 2023 12:00AM	Simple	2.73	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.09	ACUITE BB+   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.00	ACUITE BB+   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.50	ACUITE BB+   Stable   Assigned

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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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