



Press Release
Sustainable Spinning and Commodities Private Limited
August 13, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	99.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	4.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	104.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.104.00 Cr. bank facilities of Sustainable Spinning And Commodities Private Limited (SSPL). The outlook is '**Stable**'.

Rational for rating

The rating reaffirmation considers the established track record of operation along with experienced management of the group which is reflected in the group's improved operating performance marked by improvement in the operating income. The group's operating income grew to Rs. 920.01 Cr. in FY2024 (Prov.) as against Rs. 657.85 Cr. in FY2023. Further, the financial risk profile of the group stood moderate marked by moderate net worth, moderate gearing levels and moderate debt protection metrics. The gearing level of the group decreased to 1.00 times as on March 31,2024 (Prov.) as against 1.08 times as on 31st March 2023. However, the rating is constrained by the moderately intensive working capital operations of the group marked by GCA days of 126 days in FY24 (Prov.), Further the rating also factors in the industry risk which the company faces due to volatility in the raw material prices.

About Company

Gujarat-based, Sustainable Spinning and Commodities Private Limited was incorporated in 2012. At present, the directors are Mr. Mohamedhasanain Husenali Narsinh, Mrs. Minajbanu Husenali Narsinh, Mr. Husenali Yusufali Narsinh and Mrs. Fatema Mohmadhasnein Narsinh. The company is engaged in the manufacturing of cotton yarns with an installed capacity of 40,000 spindles per annum (PA). The utilized capacity varies between 22-25 MT per day due to the production of various counts of yarns, i.e., 30, 34, 36, and 40. During the year, the company also added 20s count of yarns. It procures 50 percent of cotton bales from its group company Milan Ginning Pressing Private Limited (MGPL) and the rest is procured from other local ginning players in Gujarat. The company exports ~90 percent of its production to countries including Europe, Bangladesh, to name a few. Major exports are done from their sister concern- Milan Ginning Pressing Private Limited (MGPL). The manufacturing facility is located in Gujarat.

About the Group

Gujarat-based, Milan group was established in 1995 by Mr. Husenali Yusufali Narsinh. The group consists of 3 companies, namely Sustainable Spinning and Commodities Private Limited (SSPL), Milan Ginning Pressing Private Limited (MGPL) and K R Solvent (KRS). The group is engaged in manufacturing and trading of cotton yarn, cotton bales, cotton linter, cottonseed meal, cottonseed hulk and cotton seed oil.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of SSPL, MGPL and KRS together known as the 'Milan Group' (MG), to arrive at this rating. The consolidation is on account of common management, similar line of business, high level of integration and strong operational linkages.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The promoters have over three decades of experience in the textile industry, coupling with a long track record of operation has enabled the company to forge healthy relationships with the stakeholders. Over the years, the management has been able to establish long term relations with reputed players in the textile industry. The products are exported to various countries like Bangladesh, China, Europe, Egypt catering to international clients such as H&M, Marks & Spencer and Nike, and is one of the leading ginning and pressing companies of India.

Acuité believes that the experience of the management in the industry is likely to favourably impact the business risk profile of the company over the near to medium term.

Moderate Financial Risk Profile

The group has a moderate financial risk profile, characterized by moderate net worth, moderate gearing, and moderate debt protection metrics. The group's net worth marginally increased to Rs. 112.87 crore in FY2024 (Prov.) from Rs. 106.87 crore in FY2023, due to profit retention and equity infusion. The gearing ratio improved to 1.00 times as of March 31, 2024 (Prov.), compared to 1.08 times on March 31, 2023. Total debt decreased to Rs. 113.14 crore as of March 31, 2024 (Prov.), from Rs. 115.57 crore as of March 31, 2023. This total debt includes Rs. 30.89 crore in long-term debt, Rs. 49.96 crore in short-term debt, and Rs. 18.35 crore in unsecured loans from promoters/directors. The TOL/TNW ratio was 3.09 times as of March 31, 2024 (Prov.). The interest coverage ratio improved to 3.28 times in FY24 (Prov.) from 2.93 times in FY23, while the DSCR was 1.22 times in FY2024 (Prov.), compared to 1.02 times in FY2023.

Acuité believes that going forward the ability of the group to maintain its financial risk profile at moderate levels in view of debt funded capital expenditure being incurred will remain key monitorable in the near term.

Weaknesses

Moderately intensive Working capital nature of operations

The company's working capital operations are marked by an average gross current asset (GCA) day of 123 days from FY22 to FY24. For FY2024 (Prov.), GCA days were relatively stable at 126 days, compared to 127 days in FY2023. The company improved its inventory days to 30 days in FY2024 (Prov.) from 40 days in FY2023, reflecting better inventory management. However, debtor days increased to 73 days in FY2024 (Prov.) from 66 days in FY2023, indicating a longer collection period from customers. The average credit period extended to its customers is approximately 70 days for last 3 years. On the other hand, creditor days rose significantly to 97 days in FY2024 (Prov.) from 62 days in FY2023.

Acuité views the company's ability to maintain or improve its working capital cycle without further elongation as a crucial factor for its rating. Effective management of working capital and timely payments will be key in sustaining financial stability over the medium term.

Highly competitive industry with Susceptibility of profitability to fluctuations in raw material prices

The group operates in a highly competitive textile industry with several organized and unorganized players which can limit the bargaining power. The group is subjected to the risk emanating from adverse movements in cotton prices in the domestic and international markets. The operating margins stood at 4.20 percent in FY2024 (Prov.) against 5.38 percent in FY2023. The fluctuations in margin is mainly due to the volatility in raw material prices.

Acuité believes that the group's ability to pass on the increase in cotton prices to the end customers shall be critical towards maintaining its credit risk profile. Fluctuating prices on account of global demand - supply mismatches may result in downward pressure on the group's margins over the near to medium term.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins
- Any deterioration of its financial risk profile and liquidity position
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics

Liquidity Position Stretched

Liquidity is stretched marked by the group's net cash accruals, which totalled Rs. 22.83 crore as of March 31, 2024 (Prov.), comfortably covering the maturing debt repayment obligation of Rs. 16.56 crore. During FY2022 to FY2024, the company generated net cash accruals ranging from Rs. 15 to 22 crore, which effectively addressed its debt repayment needs in the range of Rs. 13 to 19 crore over the same period. The group's cash and bank balances were Rs. 3.93 crore as of March 31, 2024 (Prov.), and its current ratio stood at 1.09 times. The group's working capital operations were marked moderately intensive, with gross current asset (GCA) days at 126 for FY2024 (Prov.) as compared to 127 days in FY2023. Additionally, the average working capital utilization for fund-based limits was 97.94 per cent over the last 06 months ending July 2024, which highlights the company's reliance on working capital funding.

Acuité anticipates that the group's liquidity will improve over the medium term, supported by its ability to generate sufficient cash accruals to meet maturing debt obligations and maintain operational stability.

Outlook: Stable

Acuité believes that Milan Group (MG) will maintain a 'Stable' outlook over the medium term owing to its experienced management and long standing presence in the industry. The outlook may be revised to 'Positive' if the group demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case the group registers lower than expected growth in revenues and profitability or deterioration in the financial risk profile, working capital cycle and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	920.01	657.85
PAT	Rs. Cr.	10.33	7.20
PAT Margin	(%)	1.12	1.09
Total Debt/Tangible Net Worth	Times	1.00	1.08
PBDIT/Interest	Times	3.28	2.93

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>

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
16 May 2023	Working Capital Term Loan	Long Term	7.32	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.36	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.13	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.79	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.36	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.25	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.80	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.91	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.65	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	13.51	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	10.87	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.83	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.28	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.73	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.27	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	1.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	1.50	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	2.36	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.25	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.80	ACUITE BBB- Stable (Reaffirmed)
		Long		ACUITE BBB- Stable

15 Feb 2022	Term Loan	Term	5.91	(Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.65	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	13.51	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	10.87	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.83	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.28	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.73	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.27	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	7.32	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.36	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.13	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.79	ACUITE BBB- 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
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE A3 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.87	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2022	Simple	0.44	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2024	Simple	12.83	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2030	Simple	2.28	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	Simple	4.73	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	13.51	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	12.65	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2021	Simple	2.36	ACUITE BBB- Stable Reaffirmed

Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2023	Simple	0.13	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	Simple	2.36	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2037	Simple	5.91	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2023	Simple	0.25	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2025	Simple	3.80	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	Simple	3.79	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2020	Simple	0.27	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2026	Simple	7.32	ACUITE BBB- Stable Reaffirmed

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

Sr No.	Company Name
1	Sustainable Spinning and Commodities Private Limited
2	Milan Ginning Pressing Private Limited
3	K R Solvent LLP

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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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