

Press Release

TRK Textiles India Private Limited

February 07, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.50	ACUITE BB Stable Assigned	-
Bank Loan Ratings	72.00	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	4.50	-	ACUITE A4+ Assigned
Bank Loan Ratings	7.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	84.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has reaffirmed its long-term rating of **ACUITE BB (read as ACUITE double B)** and Short term rating of **ACUITE A4+** on the Rs 79.00 Crore Bank facility and assigned long term rating of **ACUITE BB** and Short term rating of **ACUITE A4+** on the Rs.5.00 Crore Bank facility of TRK Textiles India Private Limited (TRK). The outlook is 'Stable.'

Rationale for Rating

The rating draws comfort from the extensive experience of the promoters and the stable operating performance of TRK during the review period. The operating income of TRK registered an significant improved in FY22, however, a moderation is noted in the current year primarily on account of subdued demand across industry and raw material price inflation. However, the operating profitability has remained range bound as it stood between 13-17% during the review period. Further, the working capital intensive nature of operations and below average financial risk profile imbibe a negative bias to the rating.

About the Company

Tirupur (Tamil Nadu) based, TRK Textiles India Private Limited (TRK) was incorporated in 2006 and is promoted by Mr. Saravanan. S and Mrs. Sathya Saravanan Kandasamy. The company is engaged in manufacturing of cotton yarn and knitted fabric. TRK has an installed capacity of 18,000 spindles and manufactures 100 percent cotton combed yarn of count 20's to 44's. It also has an installed capacity of knitting fabric of 2 tonnes per day (TPD) and in-house power generation capacity of 6(MW) for captive consumption.

Analytical Approach

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

Key Rating Drivers

Strengths

Extensive experience of promoters

TRK is owned and managed by Mr. Saravanan S with around two decades of experience in the textile industry. Mrs. Sathya Saravanan Kandasamy is the other key Director. The extensive experience has enabled the company to establish healthy relationships with customers and suppliers, to ensure a steady raw material supply. Acuité believes that the promoter's extensive experience in the textile industry and healthy relationship with customers and suppliers is expected to support its business risk profile over the medium term.

Stable operating performance

The revenue of the company improved to Rs. 110.80 Cr in FY2022 from Rs. 67.83 Cr in FY2021. The improvement is on account of increased price realizations. The company's operating margin stood at 17.84 percent in FY2022 against 17.04 percent in FY2021. PAT margins stood at 2.05 percent in FY2022 as against 0.89 percent in FY2021. The company earned Rs 53.44 crore in revenue until December 2022 and is expected to achieve a total revenue in the range of Rs 80-85 crore in FY2023. The expected moderation in scale of operations and margins in FY2023 is on account of lower demand levels during the first half of FY2023 and high inflation in raw material prices, the burden of which could not be effectively passed on to customers as demand levels were low. However, Acuite believes over medium term, scale of operations and margins would register a steady growth.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is moderate, marked by moderate gearing and modest debt protection metrics. The tangible net worth of the company stood at Rs. 26.04 crore as of March 31, 2022, compared to Rs. 23.96 crore as of March 31, 2021. The gearing stood at 2.05 times as of March 31, 2022, against 2.65 times as of March 31, 2021. Total debt of Rs. 53.50 crore as on March 31, 2022 comprises long-term debt of Rs. 23.44 crore, short-term debt of Rs. 26.94 crore, and USL of Rs. 3.12 crore. TOL/TNW stood at 2.40 times as of March 31, 2022, against 3.03 times as of March 31, 2021. ICR and DSCR improved to 3.12 times and 1.21 times in FY2022, respectively, compared to 1.86 times and 0.97 times in FY2021. However, going forward, debt-protection metrics are expected to deteriorate in the short-term on account of expected subdued performance during the current year.

Working Capital Intensive Operations

The working capital operations of the company improved, though remained moderately high in FY2022. GCA days stood at 197 days in FY2022 against 326 days in FY2021. Improvement in GCA days is led by inventory days of 61 days in FY2022 against 92 days in FY2021. The inventory consists of raw materials such as cotton, yarn, fabrics, etc. and finished goods such as cotton yarn and knitted fabric. The company maintains an inventory policy of approximately 45 days for raw materials and 75 days for finished goods. However, the procurement quantity would depend on the current prices and upcoming demand and supply scenarios. Debtor days stood at 135 days in FY2022, compared with 227 days in FY2021. The company makes advance payments to or enjoys a credit period of 7-21 days from their suppliers. However, for the nine months ending December 2022, fund-based bank limit utilisation stood at 69.21 percent, while non-fund-based limit utilisation remained at 91.43 percent. Acuité believes that the working capital operations are expected to remain on similar lines over the medium term.

Rating Sensitivities

Growth in revenue with sustainability of the profitability margins.

Any deterioration of its financial risk profile and liquidity.

Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position Adequate

The liquidity position of the company is adequate, marked by cash accruals of Rs. 14.03 crore in FY2022 against maturing debt obligations of Rs. 10.43 crore during the same period. Going forward, net cash accruals are expected to be in the range of Rs. 7.36–14.42 crore against the repayment obligation of Rs. 7.77–4.66 crore during FY23 and FY24, respectively. The GCA days stood at 197 days in FY2022. For the nine months ending December 2022, fund-based bank limit utilisation stood at 69.21 percent, while non-fund based limit utilisation remained at 91.43 percent. Unencumbered cash and bank balances stood at Rs. 0.12 crore as of March 31, 2022, and liquid investments stood at Rs. 1.67 crore with an improved current ratio of 1.36 times in the same period. Acuite believes its liquidity position will be adequate in the medium term on account of moderate net cash accruals against repayment obligations.

Outlook: Stable

Acuite believes that TRK will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital leading to deterioration in financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	110.80	67.83
PAT	Rs. Cr.	2.27	(0.60)
PAT Margin	(%)	2.05	(0.89)
Total Debt/Tangible Net Worth	Times	2.05	2.65
PBDIT/Interest	Times	3.12	1.86

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

None

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>
- 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	34.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)

04 Apr 2022	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Term Loan	Long Term	3.85	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	5.19	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	2.65	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Proposed Bank Facility	Long Term	15.22	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	0.16	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	0.87	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	2.06	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	6.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Term Loan	Long Term	1.24	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Working Capital Term Loan	Long Term	6.76	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
11 Jan 2021	Term Loan	Long Term	6.24	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.25	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	6.90	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB- Stable (Assigned)
	Working Capital Term Loan	Long Term	8.13	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	3.60	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	6.46	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	34.00	ACUITE BB- Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	3.42	ACUITE BB- Stable (Assigned)
08 Dec 2020	Bank Guarantee	Short Term	1.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	19.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	34.00	ACUITE BB- (Downgraded and Issuer not co-operating*)

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 Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.17	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.75	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.71	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.08	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.55	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.90	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.32	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.46	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.06	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Pradeep Singh Senior Analyst-Rating Operations Tel: 022-49294065 pradeep.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.