



Press Release
TRK Textiles India Private Limited
May 07, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	72.50	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	11.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	84.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **ACUITE BB (read as ACUITE double B)** and short-term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs 84.00 Crore Bank facilities of TRK Textile India Private Limited (TTIPL). The outlook is 'Stable'.

Rationale for rating:

The rating reaffirmation reflects extensive experience of TTIPL's management in the textile industry, subdued operating performance in FY2023 albeit improvement estimated in FY2024. The revenue of the company declined to Rs.83.67 Cr. in FY2023 from Rs.110.80 Cr. in FY2022 on account of subdued demand levels and lower price realisations. However, it is estimated to grow in FY2024 to Rs.116.77 Cr. on the back of improved demand levels and price realisations. Further, the EBITDA margin is also estimated to improve in FY2024 to ~15.28 percent from 13.96 percent in the previous year. However, the rating remains constrained by a moderate financial risk profile and intensive nature of working capital operations.

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.

Unsupported Rating

Not applicable

Analytical Approach

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

Key Rating Drivers

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.

Subdued performance in FY23 due to industry headwinds; however, recovery is expected in FY24.

The company's total revenue declined to Rs. 83.67 Cr. in FY2023 from Rs. 110.80 Cr. in FY2022. The steep fall in cotton candy rates from an all-time high of Rs. 1,15,000 per candy to ~Rs. 55,000 per candy in the span of the last 3 quarters of FY2023 led to lower demand levels for yarn during the year. Lower demand levels led to a fall in realization rates, which subsequently led to inventory loss. However, the company could mitigate a huge loss by shifting to producing 100's count yarn, which is of a finer count and yields better realizations compared to coarser counts. This shift in yarn count undertaken, aided to protect profit margins from a significant decline. The operating profit margin stood at 13.96 percent in FY2023, although it declined from 17.82 percent in FY2022. Cotton candy rates stabilised during FY2024, which were in the range of Rs. 52,000 per candy to Rs. 57,000 per candy throughout the year. Stable cotton candy prices, along with improved demand levels as compared to FY2023 levels and resultant increase in sale volumes resulted in growth in revenue in FY2024, which is estimated to be at ~Rs. 116.76Cr, while operating profit margin is estimated to improve to 15.73 percent for the year. The company has shifted back to producing its standard yarn count of 30's in FY2024. Going forward, the company's revenue is expected to grow at a stable rate as the export market is showing decent demand prospects.

Weaknesses

Moderate financial risk profile:

The company's risk profile is moderate, marked by moderate net worth, high gearing and debt protection metrics. The net worth of the company has improved marginally to Rs.26.56 Cr. as of March 31, 2023 from Rs.26.04 Cr. as of March 31, 2022 despite the net loss of Rs.0.22 Cr. in FY2023, due to equity infusion of Rs.2.00 Cr. in FY2023. The gearing levels deteriorated to 2.52 times as of March 31, 2023 from 2.05 times as of March 31, 2022 due to increase in total debt to Rs.66.88 crore in FY2023 which consist long term debt of Rs.27.43 Cr., unsecured loans of Rs.1.53 Cr. and short-term debt of Rs.37.86 Cr. Total Outside Liabilities/ Tangible Net Worth (TOL/TNW) also deteriorated to 2.83 times as of March 31, 2023 from 2.40 times as of March 31, 2022. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) have deteriorated to 1.96 times and 0.85 times respectively as on March 31, 2023 from 3.12 times and 1.21 times respectively as of March 31, 2022. Debt to EBITDA also deteriorated to 5.57 times as of March 31, 2023. Going forward gearing and debt protection metrics are expected to improve on account of improving profitability and no plans of major debt-funded capex.

Working capital intensive operations:

The working capital operations of the company are intensive as reflected from Gross current asset (GCA) of 325 days in FY2023 against 197 days in FY2022. Elongation in GCA days is due to stretch in inventory days of 182 days in FY2023 against 61 days in FY2022. 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 45 days for raw materials and 75 days for finished goods. The raw material procurement quantity would depend on the current prices and upcoming demand and supply scenarios.. Debtor days stood at 145 in FY2023, compared with 135 in FY2022. The company has insured its debtors through an insurance company. The company makes advance payments to or enjoys a credit period of 7–21 days from their suppliers. Acuité believes that the working capital cycle will continue to remain at similar levels 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.

Liquidity Position : Adequate

The liquidity position of the company was stretched in FY23, marked by insufficient cash accruals of Rs. 5.63 Cr. against maturing debt obligations of Rs. 7.77 Cr. for the same period. However, promoters infused around Rs.15 Cr. unsecured loans during the year to support the liquidity crisis and the company is expected to register sufficient net cash accruals in the range of Rs.10-11 Cr. in FY24, which would comfortably meet the repayment obligations of Rs.6.98 Cr. For the six months ending April 2024, fund based limits were utilized at an average of 79 percent. Besides, the unencumbered cash and bank balances stood low at Rs.0.16 Cr. as of March 31, 2023. Acuite believes that liquidity position of the company will further improve over the medium term on account of healthy NCA generation.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	83.67	110.80
PAT	Rs. Cr.	(0.22)	2.27
PAT Margin	(%)	(0.27)	2.05
Total Debt/Tangible Net Worth	Times	2.52	2.05
PBDIT/Interest	Times	1.96	3.12

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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
07 Feb 2023	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	7.08	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.50	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.71	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	3.75	ACUITE BB Stable (Reaffirmed)
	Stand By Line of Credit	Short Term	4.50	ACUITE A4+ (Assigned)
	Working Capital Term Loan	Long Term	5.06	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.17	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	5.55	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	2.90	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	2.32	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	4.46	ACUITE BB Stable (Reaffirmed)
04 Apr 2022	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	6.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	34.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	5.19	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Working Capital Term Loan	Long Term	6.76	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Proposed Long Term Bank Facility	Long Term	15.22	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	1.24	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	2.65	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	2.06	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	3.85	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)
		Long		

11 Jan 2021	Cash Credit	Term	34.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.25	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	6.24	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	6.46	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	3.42	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	3.60	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)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	6.00	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
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A4+ 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	10.70	ACUITE BB 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	0.50	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.50	ACUITE A4+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	Simple	2.87	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	Simple	0.29	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	7.04	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	4.17	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	2.18	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	1.55	ACUITE BB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	2.44	ACUITE BB Stable Reaffirmed

State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2024	Simple	0.76	ACUITE BB Stable Reaffirmed
---------------------	----------------------	---------------------------	----------------------	----------------------	-------------	--------	------	---------------------------------

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.