



**Press Release**  
**Theni Guru Krishna Textile Mills Private Limited**  
**October 27, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE BBB   Negative   Assigned	-
Bank Loan Ratings	255.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	25.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	304.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on its Rs.280 Cr bank facilities of Theni Guru Krishna Textiles Mills Private Limited (TGKMPL). The outlook is revised to '**Negative**' from '**Stable**'.

Acuite has assigned its long term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the additional bank facilities of Rs.24 Cr of Theni Guru Krishna Textiles Mills Private Limited (TGKMPL). The outlook is '**Negative**'.

**Rationale for rating reaffirmation and revision of outlook:**

The outlook is revised on account of moderation in scale of operations, declining EBITDA margins and stretched liquidity position. The company have registered revenue in the range of Rs.510Cr – Rs.540Cr during past 2 years further reported revenue of Rs.262.76Cr as on September 2023 while the EBITDA margins have been declining over the past 3 years on account of raw material price fluctuations. Stagnancy in scale of operations and declining EBITDA margins has led to lower Net cash accrual's which has stretched the liquidity position of the company. However, the company's EBITDA margins are expected to improve marginally over the medium term as the solar power savings will be fully capitalized in FY24. Revision in outlook also factor in the deterioration of financial risk profile of the company over the past 2 years on account of decline in operating margins and infusion of debt towards capex. Going forward, the company's ability in improving the scale of operations and EBITDA margin will be a key monitor able.

**About the Company**

Theni Guru Krishna Textile Mills Private Limited (TGKMPL) was established in 2005 by taking over the existing partnership firm, M/s. Theni Guru Krishna Mills & Theni Krishna Exports. It is promoted by ATK Group, which has been engaged in the textile business, since 1950. Based out of Theni (Tamil Nadu), TGKMPL is a vertically integrated textile player and sells cotton yarn, grey fabric as well as garments. TGKMPL majorly exports Made-ups to USA health care sector. It has installed capacity of 43,468 spindles for spinning division, 343 looms for weaving division, 495 machines for garmenting and 5.25 MW of installed windmill division and 7MW of solar power, which supplies over 40 per cent of the company's power requirement.



None

## Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the TGKMPL to arrive at this rating.

## Key Rating Drivers

### Strengths

#### **Established track record of operations and experienced management**

TGKMPL is promoted by Mr. T. K Ramasamy, Mr. T. K. Srinivasan, Mr. T. K. Ponraj and Mr, S. Rajasekar. The rating draws comfort from the long-standing experience of over 7 decades of the promoters of TGKMPL (ATK group) in textile and allied sectors, having started with cotton ginning, trading and allied business activities in 1950. The management has built a healthy relationship with suppliers over the years for procurement of raw materials at a competitive cost and good credit terms. TGKMPL exports majority of its overall sales to the USA health care sector, with the majority of sales from madeups such as surgical towels, cellular blankets Press Release THENI GURU KRISHNA TEXTILE MILLS PRIVATE LIMITED Rating Assigned and Reaffirmed and cotton bags. Acuité believes that TGKMPL will benefit from the established presence in the textile industry and experienced management over the medium term.

#### **Moderate Financial Risk Profile:**

The financial risk profile of the company is moderate marked by moderate net worth and debt protection metrics. The net worth of the company stood at Rs.189.47cr as on March 31, 2023 (Prov.) against Rs.182.29Cr of previous year. This improvement is on account of accretion of net profit to the reserves. The gearing level of the company is healthy at 1.35 times as on March 31, 2023 (Prov.) against 1.31 times in previous year. The Debt protection metrics of the company deteriorated due to increase in long term debt for the purpose of capex for machinery and enhancement in fund based short term debt. The Interest coverage ratio has deteriorated to 2.54 times as on March 31, 2023 (Prov.) from 2.62 times as on March 31, 2022. TOL/TNW stood at 1.76 times as on march 31,2023 (Prov.). DebtEBITDA deteriorated to 5.19 times as on March 31, 2023 (prov.) from 4.97 times in FY22. Acuite believes that the financial risk profile of the company will improve in the medium term on account of improvement in EBITDA, decrease in Long term debt.

### Weaknesses

#### **Working capital intensive operations:**

The working capital management of the company is moderate over the past 3 years which is evident from gross current assets (GCA) days which are in the range 170-190 days. The GCA days in FY23 (Prov.) stood at 172. Current ratio of the company has marginally deteriorated to 1.13 times in FY23 from 1.33 times of previous year. The company repay the suppliers within 60 days and usually gives the credit period of 60-90 days for customers which has led to high utilization of bank limits. The consolidated bank Limits at an average of 96 percent in the past 12 months ending August 2023. Acuite believes that working capital operations of the company will remain moderately intensive over the medium term.

#### **Susceptibility to fluctuation in raw material prices:**

TGKMPL 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 supplydemand 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 TGKMPL'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**

- Significant and sustainable improvement in the scale of operations while improving the profitability margins and capital structure
- Any deterioration in working capital cycle and liquidity profile of the company.

### **All Covenants**

None

### **Liquidity Position : Stretched**

TGKMPL has stretched liquidity position marked by tightly matching cash accruals against repayment obligations and high bank limit utilisation. TGKMPL has generated net cash accruals of Rs.28.14 Cr in FY23 against debt obligation of Rs.30.05 Cr. The gap was met through raising of funds in interim from other sources. The company is expected to generate net cash accruals in the range of Rs.35-40 Cr. against repayment obligations of Rs.28-35 Cr over the medium term. The Gross current assets days stood at 172 days as on March 31, 2023 (Prov.) and the consolidated working capital limits of Rs.122.00 were utilized at an average of nearly 96 per cent for the 12 months ending August 2023. TGKMPL had low level of unencumbered cash and bank balance of Rs.0.53 Cr and its current ratio stood at 1.13 times as on March 31, 2023 against 1.33 times in previous year.

### **Outlook: Negative**

Acuite has revised its outlook to 'Negative' from 'stable' on account of stagnant growth in operations, declining EBITDA margins and stretched liquidity position. The rating may be downgraded in case of any further moderation in scale of operations leading to further deterioration in financial risk profile and liquidity profile of the company. Conversely, the outlook may be revised to 'stable' in case of any improvement in operating income, working capital management and improvement in liquidity position of the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	543.85	510.95
PAT	Rs. Cr.	7.17	8.87
PAT Margin	(%)	1.32	1.74
Total Debt/Tangible Net Worth	Times	1.35	1.31
PBDIT/Interest	Times	2.54	2.62

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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
20 Feb 2023	Letter of Credit	Short Term	25.00	ACUITE A3+ (Downgraded from ACUITE A2)
	Term Loan	Long Term	5.19	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	7.05	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	2.77	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	1.71	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	3.08	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	8.19	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	63.00	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	13.15	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	25.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	10.02	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	22.00	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	45.94	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	1.59	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	16.31	ACUITE BBB   Stable (Downgraded from ACUITE BBB+   Stable)
02 Dec	Letter of Credit	Short Term	25.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Term Loan	Long Term	23.95	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	3.20	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	63.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Working Capital Term Loan	Long Term	2.35	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	3.46	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	22.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	16.75	ACUITE BBB+   Stable (Assigned)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
		Long		ACUITE BBB+   Stable (Upgraded from

2021	Term Loan	Term	1.90	ACUITE BBB   Stable)
	Term Loan	Long Term	7.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Proposed Bank Facility	Long Term	1.12	ACUITE BBB+   Stable (Assigned)
	Working Capital Term Loan	Long Term	20.00	ACUITE BBB+   Stable (Assigned)
	Working Capital Term Loan	Long Term	3.72	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Proposed Bank Facility	Long Term	8.01	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	14.30	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	2.11	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Working Capital Term Loan	Long Term	7.13	ACUITE BBB+   Stable (Assigned)
27 Oct 2020	Term Loan	Long Term	2.29	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.80	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	6.30	ACUITE BBB   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	8.50	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	27.61	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	63.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	12.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	8.50	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 Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	53.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
South Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB   Negative   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.02	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.71	ACUITE BBB   Negative   Reaffirmed



								Stable to Negative
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.77	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.15	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	45.94	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.19	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
South Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.08	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
South Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.59	ACUITE BBB   Negative   Reaffirmed   Stable

								to
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	16.31	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.05	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
Tamil Nadu Mercantile Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.19	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.00	ACUITE BBB   Negative   Assigned
State Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Katta Akhil Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:akhil.katta@acuite.in">akhil.katta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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](http://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.