



## Press Release

**Sri Bhagirath Textiles Limited**

October 15, 2018

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 162.60 Cr.
<b>Long Term Rating</b>	ACUITE A- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A2+

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and short-term rating of '**ACUITE A2+**' (**read as ACUITE A two plus**) to the Rs. 162.60 crore bank facilities of SRI BHAGIRATH TEXTILES LIMITED (SBTL). The outlook is '**Stable**'.

The Nagpur based, SBTL is a flagship company of Shri Bhagigarth Rander Group incorporated in 1991 by Mr. Ramesh Rander. SBTL is engaged in the trading of cotton bales (~45 percent of total revenue) and spinning of cotton, viscose and blended yarn (~55 percent of total revenue) in the counts of 10s to 60s. The company has three manufacturing units in Nagpur (Maharashtra) with a total of 2,160 rotors and 30,000 spindles having a total installed capacity of manufacturing 14,940 MT per annum.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Established presence in the yarn industry and experienced management**

Incorporated in 1991 by Mr. Ramesh Rander, SBTL has been engaged in the textile industry for more than two decades. Further, the promoters have been associated with this industry since 1946 through its group companies and have gained a significant amount of experience along with maintaining healthy and long term relationship with its customers and suppliers. The longstanding experience of the promoters is also reflected through its healthy revenue growth rate. The company recorded revenues of Rs.447.95 crore in FY2017-18, reflecting a healthy compounded annual growth rate (CAGR) of ~20.00 percent in the last 4 years.

Acuité believes that SBTL will sustain the existing business profile on the back of extensive experience of promoters and well established customer and supplier relationships.

- **Moderate scale of operations backed by recent capacity additions**

SBTL has moderate scale of operations marked by an operating income of Rs.447.95 crore in FY2018 as against Rs.481.88 crore in FY2017, Rs.373.96 crore in FY2016 and Rs.215.95 crore in FY2015. The reason for decline in revenue in FY2018 is on account of focus on high value products which is visible from the increase in operating margins to 6.17 percent in FY2018 against an operating margin of 5.95 percent in FY2017. SBTL undertook debt funded capital expenditure during FY2016 and FY2018 to increase its manufacturing capacity and automate its manufacturing units. The company's manufacturing facilities are currently operated at utilisation levels of 80 percent.

Acuité believes that the revenue of the company will improve over the medium term on account of

expected improvement in capacity utilisation.

- **Moderate financial risk profile**

SBTL has moderate financial risk profile marked by a healthy net worth, moderate gearing and moderate debt protection metrics. SBTL's net worth is healthy at Rs.104.05 crore as on 31 March, 2018 (includes Rs.50.00 crore of unsecured loans from the promoters and Rs.15.00 crore redeemable preference share capital (redeemable after a period of 12 years)) as against Rs.91.43 crore as on 31 March, 2017 (includes Rs.45.46 crore of unsecured loans from the promoters and Rs.15.00 crore redeemable preference share capital (redeemable after a period of 12 years)). Acuité believes that the net worth of the company will remain healthy backed by infusion of quasi capital, its healthy revenue growth and stable operating margins leading to healthy accretion to reserves. The company has followed a moderately aggressive financial policy in the past, with its peak gearing estimated at around 2.48 times as on March 31, 2015. This is on account of debt funded capex carried out by the company in FY2015.

The gearing of the company, however, has improved to around 1.33 times as on March 31, 2018. TOL/TNW ratio has also improved to 1.77 times as on March 31, 2018 from 2.03 times as on March 31, 2017. SBTL's gearing is estimated to improve to the range of 0.89-1.01 times over the medium term. SBTL's revenues have increased at a CAGR of 20.00 percent during 2018, while the operating margins of the company are estimated to remain stable at around 6.00 -7.00 percent. The moderate profitability coupled with moderate gearing levels has resulted in moderate debt protection metrics with interest coverage of 2.45 times and NCA/TD of 0.12 times.

Acuité believes that the debt protection metrics will improve on account of healthy revenue visibility and stable operating margins over the medium term. Acuité believes that SBTL's liquidity will remain adequate in the absence of any major debt funded capital expenditure, healthy cash accruals vis-à-vis its moderate incremental working capital requirements.

- **Efficiently managed working capital cycle**

SBTL's working capital is moderate marked by a Gross Current Assets of 106 days in FY2018. The company maintains raw material inventory of around 45 days and finished goods inventory of around 14 days. SBTL extends a credit period of around 45 days to 60 days to its customers depending on the length of relationship with its customers. On the other hand, the company gets a credit period of around 35 days from its suppliers. The company generated cash accruals of Rs.29.34 crore cumulatively over the last three years through 2018, on the other hand the incremental working capital requirements and routine capex amounted to ~Rs.50.00 crore leading to lower reliance on external debt.

## Weaknesses

- **Susceptibility of margins to fluctuations in raw material prices and government regulations**

SBTL's major raw material includes cotton (~60 percent) and viscose (~40 percent). Cotton prices are regulated by the government through the MSP (Minimum Support Price) mechanism. However, the selling price of the output depends on the prevailing demand-supply situation, restricting bargaining power with customers, thereby impacting margins. Although, this risk is slightly mitigated as the company carries out 100 percent order backed trading and ~75 percent order backed spinning.

- **Moderate operating margins**

SBTL's revenue mix consists of ~55 percent from spinning and ~45 percent from trading of cotton bales. SBTL generates ~2 percent margins from trading and ~10 percent from spinning. The trading mix of 45 percent results in a moderate operating margin. The operating margins stood at 6.17 percent in FY2018 against 5.95 percent in FY2017.

## Outlook: Stable

Acuité believes that the outlook on SBTL will remain 'Stable' over the medium term on account of the promoters' extensive experience and established presence in the textile industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or lengthening of the working capital cycle; thereby resulting in deterioration in the financial risk profile or debt protection metrics of the company.

## About the Group

The Nagpur based, Shri Bhagirath Rander Group was established in 1946 by Shri. Bhagirathji Rander. The group has well established presence in cotton trading textile manufacturing and Infra Services Business. The group has a total annual turnover of more than Rs.1000.00 crore.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	447.95	481.88	373.96
EBITDA	Rs. Cr.	27.63	28.67	3.12
PAT	Rs. Cr.	8.08	10.27	-12.06
EBITDA Margin	(%)	6.17	5.95	0.83
PAT Margin	(%)	1.80	2.13	-3.23
ROCE	(%)	8.85	8.88	-2.11
Total Debt/Tangible Net Worth	Times	1.33	1.57	1.75
PBDIT/Interest	Times	2.45	2.29	0.31
Total Debt/PBDIT	Times	4.71	4.91	40.14
Gross Current Assets (Days)	Days	106	98	124

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

Not Applicable

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00*	ACUITE A- / Stable (Assigned)
Short Term Demand Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Assigned)
Stand by Line of Credit (CC)	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- / Stable (Assigned)
Term Loan 1	Not Applicable	Not Applicable	Not Applicable	45.14	ACUITE A- / Stable (Assigned)
Term Loan 2	Not Applicable	Not Applicable	Not Applicable	12.69	ACUITE A- / Stable (Assigned)

Term Loan 3	Not Applicable	Not Applicable	Not Applicable	14.28#	ACUITE A- / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.49	ACUITE A- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ (Assigned)

\*Includes Sublimit of Rs. 10.00 crore of EPC/PCFC, Rs. 10.00 crore of EBD/EBR and Rs. 10.00 crore of Letter of Credit

# Includes sublimit of Capex LC of Rs. 10.00 Crore

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## About Acuité Ratings & Research:

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