

Press Release

Sri Bhagirath Textiles Limited

April 01, 2022



Rating Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	293.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	300.00	-	-
Total Withdrawn Quantum (Rs. Cr)	20.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.300 Cr bank facilities of SRI BHAGIRATH TEXTILES LIMITED (SBTL). The outlook is '**Stable**'.

Also, Acuite has reaffirmed & withdrawn the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 20 Cr bank facilities of SRI BHAGIRATH TEXTILES LIMITED (SBTL). The rating is being withdrawn on account of the request received from the company and no dues letter received from the banker as per Acuite's withdrawal policy.

Rationale for Rating Reaffirmation

The rating is reaffirmed on account of improved business and financial performance of SBTL, marked by higher turnover and improvement in overall gearing and debt protection metrics. The rating is however constrained by the ongoing debt-funded capital expenditure which is at its initial stages of implementation.

About the Company

Sri Bhagirath Textiles Limited is a flagship company of Shri Bhagirath Rander Group. The company was incorporated in the year 1991 by Mr. Ramesh Rander. The company is engaged in trading of cotton bales and spinning of cotton, viscose and blended yarn in the counts of 10s to 60s. The company has three manufacturing units located in Nagpur (Maharashtra) with an installed manufacturing capacity of 16,540 MTPA. The product line of the company includes 100 percent cotton ring yarns, specialty yarns, blended yarns, open end yarns and two ply yarns. The Company is currently undertaking capital expenditure to expand its spinning capacity by 6671 MTPA and establish a 6545 MTPA knitting unit near its existing facilities in Mohali, Nagpur.

About the Group

Sri Bhagirath Rander Group is a Nagpur-Maharashtra based group established in the year 1946. The group was founded by Shr.Bhagirathji Rander. The group has well established and

diversified its operation across sectors ranging from Textiles, Commodities, Natural Stones and Infrastructural Development to Realty. The group has four companies. Besides Sri Bhagirath Textiles Limited other group companies are Srigopal Rameshkumar Sales Private Limited, Multiurban Infra Services Private Limited and Maheshwary Marbles and Granites Private Limited.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sri Bhagirath Textiles Limited to arrive at this rating.

Key Rating Drivers

Strengths

> Established track record of operations and experienced management

SBTL was incorporated in the year 1991 by Mr. Ramesh Rander. The company has an established track record of operation of more than three decades in the textile industry. Further, the promoters have been associated with the aforementioned industry since 1946 through its group companies and have gained significant amount of experience along with maintaining healthy and long term relationship with its customers and suppliers. The extensive experience of the promoters and established track record of operation has helped the company to maintain longstanding relations with some of the reputed players in the industry and aid the company in securing repeated orders on a regular basis supported by timely availability of raw materials. Currently the company is selling the products under its own brand name- Bhagirath Red and Bhagirath Orange. In FY2021, the Company has launched a new type of cotton cum viscose based yarn, which is marketed under brand name 'Diamond'. The company is also engaged in exporting. In 10MFY2022 SBTL has done a turnover of Rs.449.28 Cr out of which Rs. 75 Cr is export sales to Bangladesh. In FY2021, out of the Company's total sales of Rs. 676.04 Cr, Rs. 15 Cr comprised of export sales. SBTL plans to expand its reach in the export market over the medium term, and expects to generate ~Rs.100 Cr as export revenue by year end.

Acuité believes that the company will continue to benefit from its experienced management and long track of operation over the medium term.

> Moderate financial risk profile

SBTL's financial risk profile is moderate marked by strong net worth, moderate gearing coupled with comfortable debt protection metrics and coverage indicators. The company's net worth stood at Rs.130.88 Cr as on March 31, 2021 as against Rs.114.57 Cr as on March 31, 2020. The net worth of the company includes Rs.50.00 Cr of unsecured loans and Rs.15.00Cr of redeemable preference share capital, treated as quasi equity. The company has followed moderately aggressive financial policy in the past, with its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) of 1.33 times and 1.77 times respectively as on March 31, 2018. As on March 31, 2021, the gearing and total outside liabilities to tangible net worth (TOL/TNW) has improved to 0.94 times and 1.34 times respectively. The company generated cash accruals of Rs.21.87Cr in FY2021 as against Rs.13.83Cr in FY2020. The improved profits, coupled with moderate debt level, has led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2021 stood at 0.18 times and 3.19 times respectively for FY2021 as against 0.11 times and 2.90 times respectively for FY2020. The debt service coverage ratio stood at 1.61 times in FY2021 as against 1.06 times in FY2020. The Debt-EBITDA ratio stands at 3.28 times in FY2021 as against 3.81 times in FY2020.

The Company is currently undergoing a capital expenditure of Rs.203.73 Cr to be funded by debt of Rs.141.88 Cr and promoter contribution of Rs.61.85 Cr. The capex is expected to be completed by end of FY2023 and commence production from April, 2023 onwards.

Acuite believes considering the ongoing capex, the SBTL financial risk profile will continue to remain moderate over the medium term.

> Moderate scale of operations

The Company's operating income stood at Rs.676.67 Cr in FY2021 as against Rs.367.42 Cr in FY2020. In 10MFY22, operating income stood at Rs.449.28 Cr. The growth in operating income in FY21 was driven by surge in trading of cotton bales. The Company derives majority of its revenue from trading of cotton bales and manufacturing of yarn. In FY2021 the Company generated Rs.400.27 Cr of income from trading of cotton bales as against Rs.98.35 Cr in previous year. The Cotton Corporation of India Limited (CCI), a public sector undertaking set up by the Ministry of Textile, had auctioned large quantities of cotton bales at discounted prices during the year FY2021. SBTL participated in these auctions and procured cotton bales in bulk which it used partly for its own consumption and sold balance to other traders and yarn manufacturers. This trade drove the surge in income in FY2021. During the current year, SBTL has ventured into trading of yarn. The Company primarily trades in cotton combed hosiery yarn, a type of yarn which the Company plans to manufacture in its own premises post the completion of capex.

Acuite believes that SBTL's revenue will improve over the medium term considering the ongoing capex, change in composition of products and increase in demand of the products.

Weaknesses

> Working capital intensive nature of operations

SBTL's working capital operation are moderately intensive in nature as it is reflected by its gross current asset (GCA) days of around 94 days in FY2021 as against 148 days in FY2019. The improvement is mainly on account of higher turnover in FY2021 driven by opportunity based trade of cotton bales during the year. The inventory holding period has reduced to 27 days as on March 31, 2021 as against to 59 days as on March 31, 2020. The debtor collection period stood at 30 days as on March 31, 2021 as against 43 days as on March 31, 2020. On the other hand the company's credit payment period stood at 22 days as on March 31, 2021 as against 44 days as on March 31, 2020. The average bank limit utilization stood high at around 92.10 percent for eight months ended January, 2022, while its peak utilization was at around 98.05 percent during the same period.

Acuite expects the working capital management to remain intensive over the medium term.

> Implementation risk

SBTL is currently undertaking a capital expenditure plan to expand its spinning capacity by 6671 MTPA and establish a 6545 MTPA knitting unit near its existing facilities in Mohali, Nagpur. SBTL currently has three manufacturing units located with total installed manufacturing capacity of 16,540 MTPA. The total project cost is estimated at Rs.203.73 Cr to be funded by debt of Rs.141.88 Cr and promoter contribution of Rs.61.85 Cr. The capex is expected to be completed by end of FY2023 and commence production from April, 2023 onwards. As on January, 2022 the Company has incurred a total cost Rs.16.35 Cr on the project funded by unsecured loan from promoters. The capex is currently at a nascent stage with regulatory approvals awaited. However, the Company has received sanction for its debt requirement on the project.

Acuite believes that as the plan is currently at an initial stage, risk of approval and time delays in its implementation prevails. Thus, timely completion of the project will be a key monitorable.

> Susceptibility of margins to fluctuations in raw material prices and government regulation

SBTL's major raw material includes cotton and viscose. Cotton being an agricultural commodity by nature, the margins are susceptible to change in the cotton prices. Cotton availability and price of the same is highly dependent on agro-climatic conditions. Despite the prevalence of Minimum Support Price, the purchase price depends on the prevailing demand-supply situation which limits bargaining power with the suppliers as well. However, this risk is mitigated as the company carries out 100 percent order backed trading and nearly

75 percent order backed spinning. SBTl's operating margins stood at 5.49 percent in FY2021 as against 7.85 percent in FY2020. The decline in margins is mainly on account of higher proportion of low margin generating trade of cotton bales during the year. The PAT margins improved to 1.66 percent in FY2021 as against 0.85 percent in FY2020. In 10MFY2022, SBTl's operating margins stood at 7.86 percent and PAT margins at 3.31 percent.

Rating Sensitivities

- > Delays in implementation of ongoing capex plan
- > Improvement in scale of operations and profitability while maintaining its capital structure
- > Elongation in the working capital cycle, leading to increase in reliance on working capital borrowings

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.21.87 Cr in FY2021 and Rs.13.83 Cr in FY2020, while its' maturing debt obligation were in the range of Rs.9.00Cr to Rs.12.00Cr for the same period. The cash accrual of the company is estimated to remain around Rs.23.00 Cr to Rs.30.00 Cr during 2022-23 against repayment obligations of around Rs.17-21 Cr during the same period. The company's working capital efficiency improved in FY2021 marked by the gross current asset (GCA) days of 94 days for the period as against 148 days in FY2020. The average bank limit utilization stood at around 92.10 per cent for eight months ended January, 2022. The company maintains unencumbered cash and bank balances of Rs.0.58 Cr as on 31 March 2021. The current ratio of the company has improved to 1.52 times as on 31 March 2021 from 1.23 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and moderate financial risk profile. The outlook may be revised to 'Positive', if the company registers higher than expected growth in its revenue while improving its operating margins from its current levels along with timely completion of its ongoing capex plan and maintenance of efficient working capital management. Conversely, the outlook may be revised to "Negative", if the company registers lower than expected growth in revenues and profitability or delays in implementation of ongoing capex or significant elongation in the working cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	676.67	367.42
PAT	Rs. Cr.	11.23	3.12
PAT Margin	(%)	1.66	0.85
Total Debt/Tangible Net Worth	Times	0.94	1.12
PBDIT/Interest	Times	3.19	2.90

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>
- 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->

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Feb 2021	Term Loan	Long Term	7.82	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	26.27	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	29.99	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.52	ACUITE A- Stable (Reaffirmed)
06 Jan 2020	Working Capital Demand Loan	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	36.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	22.10	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.50	ACUITE A- Stable (Reaffirmed)
15 Oct 2018	Cash Credit	Long Term	50.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	12.69	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Long Term	4.49	ACUITE A- Stable (Assigned)
	Standby Line of Credit	Long Term	6.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	14.28	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	45.14	ACUITE A- Stable (Assigned)
	Short Term Loan	Short Term	20.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	144.34	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	20.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	23.52	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	6.26	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.88	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	15.00	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Reaffirmed
TIRUPATI URBAN CO-OPERATIVE BANK LTD	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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