



Press Release
SRI BHAGIRATH TEXTILES LIMITED
July 07, 2023
Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	293.00	ACUITE BBB+ Negative Downgraded	-
Bank Loan Ratings	10.00	-	ACUITE A2 Assigned
Bank Loan Ratings	7.00	-	ACUITE A2 Downgraded
Total Outstanding Quantum (Rs. Cr)	310.00	-	-

Rating Rationale

ACUITE has downgraded its long-term rating to ACUITE BBB+ (read as Acuite tripe B plus) and short-term rating to ACUITE A2(read as Acuite A two) on the Rs.300.00 crore bank facilities of Sri Bhagirath Textiles Limited (SBTL). Acuite has also assigned short term rating of ACUITE A2 (read as Acuite A two) on the Rs.10 crore bank facility of SBTL. The outlook is 'Negative'.

Key reasons for rating downgrade

The rating downgrade considers the moderation in operating and financial performance, the stretch in liquidity position marked by revenue de-growth, and the deterioration in the financial risk profile driven by delay in implementation of ongoing capex. SBTL's revenue moderated to Rs. 481.42 crore in FY2023E against Rs. 562.74 crore in FY2022. The decline is partly attributed to industry-wide headwinds leading to shortage in the availability of cotton in the market and lower price levels. Further, SBTL has an ongoing debt-funded capital expenditure to expand its spinning capacity by 6671 MTPA and establish a 6545 MTPA knitting unit near its existing facilities in Mohali, Nagpur. The project was earlier estimated to be completed by end of FY2023 and commence commercial production from April 2023 onwards. However, the plant is now expected to be fully operational by August 2023. The overall time overrun has partly impacted the operating and financial performance of SBTL. The financial risk profile deteriorated with moderation in gearing and debt protection metrics. The gearing stood at 1.36 times in FY2023E against 0.95 times in FY2022. DSCR stood at 1.08 times in FY2023E against 1.22 times in FY2022. The financial risk profile is expected to moderate further over the near to medium term, primarily on account of higher than earlier estimated repayment obligations due to delay in achievement of COD for the capex.

The liquidity position of the company is stretched marked with modest cash accruals to its maturing debt obligations. The promoters undertake to infuse funds in case of any cashflow mismatch.

Acuite believes that the timely completion of capex, growth in revenue, and profitability, along with the expected support from the promoters and ability to improve SBTL's financial risk profile and liquidity position, will remain key monitorable.

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 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. In FY2021, the Company launched a new type of cotton cum viscose based yarn, which is marketed under brand name 'Diamond'. The company is also engaged in exporting. However, In FY2023E, the revenue from exports declined significantly and overall registered a de-growth in total revenues. Acuité believes that the company will continue to benefit from its experienced management and long track of operation.

Decline in revenue and profitability.

The Company's operating income stood declined to Rs. 481.42 crore in FY2023E from Rs. 562.74 crore in FY2022. This decline in FY2023E on account of the lower availability of cotton during most part of the year. The operating margin declined marginally from 6.95 percent in FY2022 to 6.02 percent in FY2023E. The same are expected to improve over the medium term on account of increased contribution in total sales from higher margin generating knitting division vis-a-vis low margin generating trading segment. However, the net profitability is expected to decline over the medium term on account of increase in interest cost majorly pertaining to the increased debt for capex which is expected to achieve COD in Q2FY2024.

Acuite believes the revenues and profitability of the company will be impacted positively on account of successful implementation of the ongoing capital expenditure.

Moderate financial risk profile

The financial risk profile of the company moderated in FY2023E, marked by moderation gearing and debt protection metrics. The net worth of the company stood at Rs. 173.99 crore in FY2023E against Rs. 144.24 crore in FY2022. The net worth of the company includes Rs. 50.00 crore of unsecured loans, which have been treated as quasi-equity, and Rs. 15.00 crore of redeemable preference share capital. The company's moderately aggressive financial policy is reflective in the TOL/TNW trend and gearing which stood at 1.69 times and 1.36 times in FY2023E, against 1.33 times and 0.95 times in FY2022 respectively. The NCA/TD and interest coverage ratio stood at 0.09 times and 3.36 times for FY2023E as against 0.17 times and 3.16 times for FY2022, respectively. The debt service coverage ratio deteriorated to 1.08 times in FY2023E, from 1.22 times in FY2022 and 1.61 times in FY2021. The deterioration in the DSCR is due lower absolute profitability against higher repayment obligations. The debt-to-EBITDA ratio deteriorated to 7.63 times in FY2023E as against 3.34 times in FY2022. Going ahead, the financial risk profile is expected to moderate further in the near to medium term, on account of, increase in repayment obligations, short-term borrowings to support working capital operations and pending disbursement of sanctioned long-term loans towards capex.

Weaknesses

Working capital intensive nature of operations

SBTL's working capital operation are moderately intensive in nature as it is reflected by its continued stretch in the gross current asset (GCA) days. The GCA days stood at 131 days in FY2023E against 127 days in FY2022 and 94 days in FY2021. The inventory holding period stood at 54 days in FY2023E against 47 days in FY2022 and 27 days in in FY2021. The company holds raw material inventory of 8-10 days and finished goods inventory of 15-20 days. The debtor collection period stood at 21 days in FY2023E against 34 days in FY2022 and 30 days in FY2021. The company has corporate customers and agents. The credit period allowed to corporate clients is up-to 60 days mostly against LC and that to agents up-to 15-30 days. On the other hand, the credit payment period stood at 31 days in FY2023E against 25 days in FY2022 and 22 days in FY2021. The usual credit period received is up-to 30 days. The average bank limit utilisation stood moderately high at around 73.51 percent for the last 6 months ending April 2023, while its peak utilisation stood high at around 84.85 percent during the same period. Acuite expects the working capital operations to remain intensive in the over the medium term.

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. Acuité believes that the group should be able to maintain its operating profitability around existing levels, notwithstanding the volatility in prices of its key inputs, on the back of its established position in the domestic market.

Rating Sensitivities

- Growth in scale of operations and profitability leading to improvement in financial risk profile and liquidity position.
- Any significant elongation in the working capital cycle, leading to increase in reliance on working capital borrowings.
- Timely completion of the ongoing capex.

Material covenants

None

Liquidity Position

Stretched

The company has stretched liquidity position marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.21.78 crore in FY2023E and Rs.23.67 crore in FY2022 against its maturing debt obligations of Rs.19.35 crore and 16.95 crore respectively. The cash accruals of the company are estimated to remain low against the repayment obligations. The company is estimated to generate cash accruals in the range of Rs.23.62 crore - Rs.27.93 crore during FY2024- FY2025 against repayment obligations of around RS.28.77 - Rs.36.05 crore during the same period. The company's working capital efficiency remained stretched in FY2023E marked by the gross current asset (GCA) days of 131 days against 127 days in FY2022. The average bank limit utilisation stood moderately high at around 73.51 percent for the last 6 months ending April 2023, while its peak utilisation stood high at around 84.85 percent during the same period. The company maintained an unencumbered cash and bank balances of Rs.3.24 crore as on 31st March 2023E. The company has Rs.1.83 crore unencumbered fixed deposits as of 31st March 2023E. The current ratio of the company moderated to 1.43 times in FY2023E from 1.60 times in FY2022. Going ahead, the liquidity position of the company is likely to remain stretched over the medium term considering insufficient cash accruals against debt repayment obligations.

Outlook: Negative

Acuité believes that the company will maintain a 'Negative' outlook over the medium term on account of expected further strain on liquidity position and moderation in financial risk profile driven by ongoing debt-funded capital

expenditure. The outlook may be revised to 'Stable' if the company showcases higher than expected growth in revenues and profitability easing the strain on liquidity position and improvement in the financial risk profile. Conversely, the rating may be downgraded, if SBTL exhibits a lower-than-expected growth in revenues and profitability, leading to significant deterioration in the liquidity and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	562.74	676.67
PAT	Rs. Cr.	13.31	11.23
PAT Margin	(%)	2.36	1.66
Total Debt/Tangible Net Worth	Times	0.95	0.94
PBDIT/Interest	Times	3.16	3.19

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, Acuité 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
28 Apr 2022	Term Loan	Long Term	6.26	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	23.52	ACUITE A- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	144.34	ACUITE A- Negative (Reaffirmed)

	Cash Credit	Long Term	30.00	ACUITE A- Negative (Reaffirmed)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
	Warehouse Receipt Financing	Long Term	8.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	5.88	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A2+ (Reaffirmed)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE A- (Withdrawn)
01 Apr 2022	Term Loan	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	144.34	ACUITE A- Stable (Reaffirmed)
	Warehouse Receipt Financing	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	23.52	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE A- (Withdrawn)
	Warehouse Receipt Financing	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.26	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	5.88	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.82	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	26.27	ACUITE A- Stable (Reaffirmed)

		Long		
08 Feb 2021	Term Loan	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	AC N Dov
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	AC N A
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	AC N Dov
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	AC N Dov
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	AC N Dov
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	AC N Dov
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.11	AC N Dov
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.90	AC N Dov
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.58	AC N Dov
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	AC N Dov
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.50	AC N Dov
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.98	AC N Dov
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.76	AC N Dov

HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.79	AC N Dov
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	116.38	AC N Dov

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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.

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