



Press Release
SHAKTIGARH TEXTILE AND INDUSTRIES LIMITED
February 27, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	57.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	92.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minuso**)n the Rs. 57.00 Cr. bank facilities of Shaktigarh Textile and Industries Limited (STIL). The outlook is '**Stable**'.

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minusa**)nd short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**)on the Rs. 35.00 Cr. bank facilities of Shaktigarh Textile and Industries Limited (STIL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation considers moderation in operating performance of the company. The rating also factors in the company's long operational track record and the promoter's extensive experience in the jute manufacturing industry. The rating is however constrained by moderately intensive working capital operations and susceptibility of profitability to volatility in raw material prices and exposure to stringent regulations in the jute industry.

About the Company

Incorporated in 1965, Shaktigarh Textile and Industries Limited (STIL) was taken over by Kajaria Family in 2011 to set up a jute plant in Shaktigarh, West Bengal. The jute plant became operational from Sep 30, 2014. Currently, the company is engaged in manufacturing of jute products, such as hessian and sacking bags. STIL is a composite jute mill with manufacturing capacity of 1,09,500 MTPA (out of which 22500 MTPA is owned and rest 87000 MTPA capacity is taken through lease agreement entered into on 30 March, 2019 for a period of 15 years). The company is managed by Mr. Srivatsa Kajaria, who is the 4th generation of the Kajaria Family.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of STIL to arrive at the rating.

Key Rating Drivers

Strengths

Long operational track record and Experienced management

The company has a long operational track record of around four decades as it was initially incorporated in 1965 and later taken over by the Kolkata-based Kajaria family in 2011. Further, the promoters have more than three decades of experience in the manufacturing and selling of jute and related products. After the takeover, the promoters set up a Jute Park at Shaktigarh (Burdwan District, West Bengal) under Public Private Partnership model. The jute park became operational in September 2014. STIL is currently managed by Mr. Srivatsa Kajaria,

who represents the 4th generation of the Kajaria family.

Acuité believes that the long operational track record of the company and extensive experience of the promoters in the jute industry will enable the company to maintain strong relationships with their key customers and suppliers.

Moderation in operating income and profitability margins

The company's operating income moderated in last three years to Rs.758.86 Cr. in FY2024 as against Rs.768.38 Cr. in FY2023 and 976.36 Cr. in FY2022. The company's key customers primarily include government organizations, such as Telangana State Civil Supplies Corporation Limited. Furthermore, the company recorded a revenue of Rs.517.02 Cr. in 9MFY2025 and is projected to achieve Rs. ~765 Cr. in revenue for FY2025, maintaining levels similar of FY2024. Although, the company's operating margin improved marginally to 2.82 per cent in FY2024 from 2.41 per cent in FY2023, the PAT margins declined to 0.54 per cent in FY2024 as against 1.30 per cent in FY2023 on account of increased finance cost and tax obligations.

Acuite believes, the company's operating performance will remain moderate on account of expected steady growth in revenues and profitability.

Comfortable financial risk profile

The company's financial risk profile is comfortable, marked by comfortable net worth base, low gearing and debt protection metrics. The tangible net worth of the company increased to Rs.69.96 Cr. as of March 31, 2024 from Rs.65.71 Cr. as of March 31, 2023, due to accretion of profits to reserves. The gearing of the company remained low at 0.80 times as of March 31, 2024, compared to 0.79 times as of March 31, 2023. Furthermore, debt protection metrics remained comfortable, with the debt service coverage ratio (DSCR) deteriorated and stood at 1.25 times in FY 2024, compared to 2.07 times in FY2023. The interest coverage ratio stood at 2.73 times in FY2024, compared to 2.07 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.18 times in FY 2024, compared to 0.30 times in the previous year.

Acuité believes the financial risk profile of the company will remain comfortable, supported by steady net cash accruals and the absence of any major debt-funded capex in the medium term.

Weaknesses

Moderately intensive working capital operations

The company's working capital operations are moderately intensive in nature, marked by increased GCA days of 139 days in FY2024 as against 96 days in FY2023, primarily due to higher advance to suppliers and extended inventory holding period. The inventory holding period increased to 71 days in FY2024 as against 64 days in FY2023. The debtor period stood at 15 days in FY2024 as against 10 days in FY2023. Despite this, the company relies significantly on its suppliers and creditors to support the working capital needs, with creditors stood high at 120 days in FY2024 as against 73 days in FY2023. Furthermore, the reliance on working capital limits remained very high with utilisation at around 98 per cent over the last 5 months ending December 2024. Acuite believes that company's operations will remain working capital intensive on account of high inventory days.

Susceptibility of profitability to volatility in Raw material prices

The major raw materials procured by the company include raw jute fibres. The raw material cost constitutes of around 70 percent of the total sales. Price of jute is highly volatile in nature due to seasonal availability of raw jute and the jute production is highly susceptible to agro-climatic conditions. Thus, any adverse movement of jute prices further impacts profitability.

Rating Sensitivities

Significant Improvement in revenues and profitability

Deterioration in financial risk profile

Further elongation in working capital cycle.

Liquidity Position

Adequate

The company's liquidity position is marked as adequate, on account of its moderate net cash accruals of Rs. 10.04 Cr. in FY2024 as against its maturity debt obligations of around Rs. 6.42 Cr. Further, the company is expected to generate cash accruals in the range of Rs. 12.97 – Rs. 13.96 Cr. as against maturing repayment obligations of around Rs.6.17 – Rs. 7.92 Cr. over the medium term. However, the fund-based limits remained highly utilised at 97.60 per cent for the last five months ended December'24. The current ratio stood at 1.17 times as of March 31, 2024. The cash and bank balance stood at Rs.0.64 Cr. as of March 31, 2024. Acuité believes that going forward the company is likely to maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	758.86	768.38
PAT	Rs. Cr.	4.08	10.01
PAT Margin	(%)	0.54	1.30
Total Debt/Tangible Net Worth	Times	0.80	0.79
PBDIT/Interest	Times	2.73	3.79

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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
19 Jan 2024	Cash Credit	Long Term	26.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	9.40	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.74	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.86	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3+ Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB- Stable Reaffirmed

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