

## Press Release

Shree Ram Twistex Private Limited

June 24, 2022



## Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	-	ACUITE A3+   Upgraded
Bank Loan Ratings	55.28	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	58.28	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 58.28 crore bank facilities of Shree Ram Twistex Private Limited. The outlook is '**Stable**'.

### Rationale for Rating

The rating upgrade considers the established experience of the management, strategic location of the spinning facility along with established relationship with reputed clientele. Further, the rating draws comfort from increase in scale of operations in FY 2022 to Rs.218.07 from Rs.107.67 in FY 2021, improved financial risk profile and efficient management of working capital with less reliance on short term bank borrowings. However, the rating remains constrained by highly competitive nature of the industry along with high susceptibility to variation in the raw material prices.

### About the Company

Shree Ram Twistex Private Limited was incorporated in 2013 by promoters Mr. B B Ramani, Mr. Kothari, Mr. Hirani, Mr. Tilala and Mr. J V Ramani. The company began its commercial operations in 2016. The company is in the line of spinning cotton and manufacturing cotton yarn in the count range of 30 to 60, used in products such as denim, shirts, fabrics for suits and undergarments.

The company sources all its raw materials from Saurashtra region. The company sources cotton from ginning companies and processes further into yarn and the company's client base is majorly concentrated in Ahmedabad. The company's spinning facility is located at Gondal near Rajkot, Gujarat with a current capacity of 27,700 spindles.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of Shree Ram Twistex Private Limited to arrive at the rating.

## Key Rating Drivers

### Strengths

#### >Established experienced entrepreneurial management, strategic location of the spinning facility and established relationships with its clientele

The company is being managed by experienced directors and promoters. Collectively, they have rich experience across various industries, including cotton ginning and spinning, ceramics, civil and mechanical construction and are instrumental in setting up and developing the company. The company has a team of experienced and capable professionals, having over a decade of experience in the segment, to look after the overall management. Company vintage has enabled it to forge healthy relationships with its customers and suppliers. The experience of promoters continues to help the company to improve its product profile and client base. Moreover, strategic location of the plant at Gondal, near Rajkot, Gujarat, a cotton growing belt, offers access to quality raw material at competitive rates, and skilled manpower. Further, the revenue of the company increased by 102.53% in FY2022 as compared to FY2021 as there was an expansion in vertical capex which resulted increase in volume sold from 56,24,864 Kg in FY 2021 to 80,01,339 Kg in FY 2022. The installed capacity has increased from 56,57,500 Kg cotton yarn to 94,90,000 Kg cotton yarn. Also, the company started producing viscose yarn in May 2022 due to unavailability of cotton and hike in the prices of cotton and started procuring viscose from Grasim Industries which is part of Aditya Birla Group.

Acuité believes that the company will continue to benefit with the promoters experience and its established presence in the industry, improving its business risk profile over the medium term.

#### >Improvement in the capital structure and moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.40.47 crore as on 31 March, 2022 (Prov) as against Rs.35.60 crore as on 31 March, 2021 and Rs.29.88 crore as on 31 March, 2020. The total debt of the company stood at Rs.57.15 crore includes Rs.30.34 crore of long term debt, Rs.5.16 crore of short term debt, Rs.14.80 crore of unsecured loans and Rs.6.85 crore of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 1.41 times as on 31 March, 2022 (Prov) as compared to 1.82 times as on 31 March, 2021 and 1.16 times as on 31 March, 2020. Interest Coverage Ratio stood at 4.33 times for FY2022 (Prov) as against 3.54 times for FY2021 and 3.62 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.65 times in FY2022 (Prov) as against 1.36 times in FY2021 and 1.46 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.13 times as on 31 March, 2022 (Prov) as against 2.19 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.24 times for FY2022 (Prov).

Acuité believes that the financial risk profile will continue to remain moderate over the medium term on account of improvement in the capital structure and no major debt-funded capex planned in the near future.

#### >Efficient Working Capital Management

The working capital management of the company is efficient marked by GCA days of 102 days in FY2022 (Prov) as against 151 days in FY2021 and 89 days in FY2020. The debtor days stood at 11 days in FY2022 (Prov) as against 83 days in FY2021 which is in line with the average credit period allowed to customers of 07 – 30 days. However, the creditor days stood at 34 days in FY2022 (Prov) as against 42 days in FY2021. The average credit period allowed by suppliers is around 15-25 days. Also, the inventory days stood at 40 days in FY2022 (Prov) as against 45 days in FY2021.

Acuite expects the working capital management to remain efficient over the medium term on account of better management of receivables and inventory.

## **Weaknesses**

### **>Highly competitive and working capital-intensive nature of industry**

The Indian textile industry is highly fragmented and competitive marked by presence of large number of organized and unorganized players. This restricts the pricing flexibility and bargaining power with its customers. Further, the operating margins are fluctuating due to the volatility in pricing of raw materials. However, the promoters' long-established presence in the field shall enable them to pass the volatility in raw material process to its customers, further reducing the risk to a certain extent.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

### **>Susceptible to changes in input prices**

The margins are highly susceptible to changes in the prices of cotton. The price of cotton is fixed by the government through the Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability. However, the company have started manufacturing of viscose yarn as well in May 2022 which reduces its complete dependence on cotton to some extent.

## **Rating Sensitivities**

- Improving scale of operations while maintaining profitability.
- Any deterioration in working capital management leading to deterioration in financial risk profile and liquidity.

## **Material covenants**

None.

## **Liquidity Position: Adequate**

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.7.95-Rs.13.94 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.4.91-Rs.6.85 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.15.04-17.70 crores against the maturing repayment obligations of around Rs.5.98-7.96 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 102 days in FY2022 (Prov) as against 151 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.44 crore as on March 31, 2022 (Prov). The current ratio stands at 1.97 times as on March 31, 2022 (Prov). The average bank limit utilization for the past 06 months March 2022 is ~ 40.51 percent.

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term.

## **Outlook: Stable**

Acuité believes that SRTPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and establishing client base and supplier relationship. The outlook may be revised to 'Positive' in case of better-than-expected revenue and profitability margin leading to improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue or profitability, or any stretch in its working capital management leading to deterioration in its financial risk profile and liquidity position.

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	218.07	107.67
PAT	Rs. Cr.	4.87	3.72
PAT Margin	(%)	2.23	3.45
Total Debt/Tangible Net Worth	Times	1.41	1.82
PBDIT/Interest	Times	4.33	3.54

## 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

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Apr 2021	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	5.37	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	19.50	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.67	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	19.24	ACUITE BBB-   Stable (Assigned)
24 Mar 2021	Proposed Bank Facility	Long Term	0.50	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	19.50	ACUITE BBB-   Stable (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	3.00	ACUITE A3+   Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	15-01-2021	10.65	31-12-2027	19.50	ACUITE BBB   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	31-01-2025	19.74	ACUITE BBB   Stable   Upgraded
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	0.67	ACUITE BBB   Stable   Upgraded
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	5.37	ACUITE BBB   Stable   Upgraded

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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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