



Press Release
Shree Ram Twistex Private Limited
September 08, 2023
Rating Reaffirmed

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

Rating Rationale

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

Rationale for Rating

The rating reaffirmation is on account of stable operating and financial performance of the company marked by improved gearing and moderate financial risk profile. Further, the rating also considers the established experience of the management, strategic location of the spinning facility along with established relationship with reputed clientele and efficient management of working capital.. 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 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. The company's 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.

The revenue of the company stood at Rs.210.54 crore in FY2023 (Prov) as against Rs.219.70 crore in FY2022. It has achieved Rs.82 Cr till August 2023.

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.

>Moderate financial risk profile

The financial risk profile of the company stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.44.96 crore as on 31 March 2023 (Prov) as against Rs.39.26 crore as on 31 March, 2022. The total debt of the company stood at Rs.55.94 crore which includes short-term debt of Rs.13.01 crore, unsecured loans of Rs.15.72 crore, long term debt of Rs.27.22 crore as on 31 March 2023 (Prov). The gearing (debt-equity) stood at 1.24 times as on 31 March 2023 (Prov) as compared to 1.45 times as on 31 March, 2022. Interest Coverage Ratio stood at 4.70 times for FY2023 (Prov) as against 4.33 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.55 times in FY2023 (Prov) as against 1.54 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.64 times as on 31 March, 2023 (Prov) as against 2.02 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times for FY2023 (Prov) as against 0.22 times for FY2022.

Acuité believes that the financial risk profile will continue to remain moderate over the medium term on account of 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 97 days in FY23 (Prov) as against 87 days in FY22. The company maintains inventory levels of around 53 days in FY23 (Prov) as against 42 days for FY22. Generally, the inventory holding period that the company follows is ~30 days. Subsequently, the debtor's collection period stood at 36 days in FY23 (Prov) as against 37 days for FY22. Generally, the company gives a credit period of 30 days to its customers. Furthermore, the creditor days stood at 30 days in FY23 (Prov) as against 31 days in FY22. Generally, the company enjoys the credit period of 15-25 days. As a result, the average working capital utilization for fund-based limits stood at ~85 percent and for non-fund-based limits stood at ~72 percent for the last 07 months ending July 2023.

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

Weaknesses

>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. SRTPL's operating margins stood at 7.34 percent in FY2023 (Prov) as against 8.13 percent in FY2022. The increase in cotton prices lead to the margin decline in operating margins.

>Highly competitive 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.

Rating Sensitivities

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

All Covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by moderate net cash accruals against the maturing debt obligations. The company generated sufficient net cash accruals in the range of Rs.7.95-Rs.14.52 Crore from FY2021-23 against its maturity repayment obligations in the range of Rs.6.78-7.97 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.14.55-17.62 crores against the maturing repayment obligations of Rs.5.81-7.94 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 97 days in FY2023 (Prov) as against 87 days in FY2022. The average working capital utilization for fund-based limits stood at ~85 percent and for non-fund-based limits stood at ~72 percent for the last 07 months ending July 2023. The company maintains unencumbered cash and bank balances of Rs.0.39 crore as on March 31, 2023 (Prov). The current ratio stands at 2.08 times as on March 31, 2023 (Prov), as against 1.69 times as on 31 March, 2022.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	210.54	219.70
PAT	Rs. Cr.	5.69	3.65
PAT Margin	(%)	2.70	1.66
Total Debt/Tangible Net Worth	Times	1.24	1.45
PBDIT/Interest	Times	4.70	4.33

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

CRISIL vide its press release dated 20th June 2023, had downgraded the company to CRISIL B/Stable/A4 ; Issuer Not Cooperating.

BRICKWORKS vide its press release dated 31st Oct 2022, had downgraded the company to BWR B/stable/A4; Issuer Not Cooperating.

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
24 Jun 2022	Term Loan	Long Term	19.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan	Long Term	0.67	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Term Loan	Long Term	5.37	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	19.74	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	14.75	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	15 Jan 2021	10.65	31 Dec 2027	Simple	17.55	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	31 Jan 2025	Simple	5.03	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.95	ACUITE BBB Stable Reaffirmed

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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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