



Press Release
Shree Ram Twistex Private Limited
August 06, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.70	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	43.86	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	8.58	-	ACUITE A3+ Assigned
Bank Loan Ratings	14.42	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	72.56	-	-

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'**.

Further, Acuite has also assigned 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. 14.28 crore bank facilities of Shree Ram Twistex Private Limited. The outlook is **'Stable'**

Rationale for Rating

The rating reaffirmation is on account of the company's stable operating and financial performance. The company's operating income grew to Rs. 229.12 Cr. in FY2024 (Prov.) as against Rs. 214.88 Cr. in FY2023. The PAT margins stood at 3.08 percent in FY2024 (Prov.) as against 1.54 percent in FY2023. Further, the gearing levels have stood consistent at 1.31 times as on March 31, 2024 (Prov.) as against previous year. The rating continues to derive comfort from the extensive experience of the management. However, the rating remains constrained by highly competitive nature of the industry along with susceptibility of profitability margins to variation in raw material prices. Going ahead, the company's ability to decrease its power consumption cost and improving its working capital operations as well as its susceptibility to volatility in the raw material prices will be a key rating monitorable.

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 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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established relationships with its clientele

The company is being managed by experienced directors and promoters. Collectively, they have experience across various industries, including cotton ginning and spinning, ceramics, civil and mechanical construction. 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.229.12 crore in FY2024 (Prov.) as against Rs.214.88 crore in FY2023.

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

Shree Ram Twistex Private Limited has a moderate financial risk profile marked by moderate net worth, moderate gearing and moderate debt protection metrics. SRTPL's net-worth marginally improved and stood at Rs. 49.64 crore in FY2024 (Prov.) against Rs. 42.58 crore as on FY2023 on account of accretion of profits to reserves. SRTPL's gearing stood at 1.31 times as on March 31, 2024 (Prov.) as well as March 31, 2023. The company's total debt as on March 31, 2024 (Prov.) stood at Rs. 64.92 crore as compared to Rs. 55.70 crores as on March 31, 2023; comprising of long-term debt of Rs.1.49 crore, short-term debt of Rs. 14.83 crore and Unsecured loans from promoters/directors of Rs. 15.61 crore. TOL/TNW stood at 1.80 times as on March 31, 2024 (Prov.). The interest coverage ratio of the company stood at 4.80 times in FY24 (Prov.) against 4.50 times in FY23. DSCR stood at 1.44 times in FY2024 (Prov.) against 1.35 times in FY2023.

Acuité believes that going ahead the gearing of the company is further expected to improve and remain low over the medium term.

Moderate Working capital operations

Shree Ram Twistex Private Limited has moderate working capital operations with average gross current asset (GCA) days standing over 102 days during FY22 to FY24. GCA days increased to 124 days in FY2024 (Prov.) against 95 days in FY2023. Inventory days stood at 39 days in FY2024 (Prov.) against 53 days in FY2023. The debtor days stood at 71 days for FY24(Prov.) against 35 days for FY23. The average credit period allowed to the customers is around 30-40 days. The creditor days of the company stood at 34 days for FY24 (Prov.) as against 29 days for FY23. The average credit period allowed by the suppliers is around 15-20 days. The average working capital utilization for fund-based limits stood at ~89.33% for the last 08 months ending March 2024.

Acuité believes that the ability of SRTPL to maintain its efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

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 7.77 percent in FY2024 (Prov.) as against 8.07 percent in FY2023. 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.

Liquidity Position Adequate

Liquidity is adequately backed by SRTPL's net cash accruals, which stood at Rs. 13.34 Cr. as on March 31, 2024 (Prov.), against maturing debt repayment obligation of Rs. 7.93 Cr. The company generated sufficient net cash accruals in the range of Rs.12.67- Rs.13.34 Crore from FY2022-24 against its maturity repayment obligations in the range of Rs. 7.36- Rs.7.97 crore in the same tenure. The cash and bank balances of the company stood at Rs. 0.18 Cr. as on March 31, 2024 (Prov.). The current ratio stood at 2.18 times as on March 31, 2024 (Prov.). However, the working capital operations of the company are moderate marked by its gross current asset (GCA) days of 124 days for FY2024 (Prov.) as against 95 days for FY2023. Current ratio stands at 1.81 times as on 31 March 2024 (Prov.). The company has maintained cash & bank balance of Rs.0.18 Cr. in FY2024 (Prov.).

Acuité believes that going forward the liquidity of SRTPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that SRTPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and established 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	229.12	214.88
PAT	Rs. Cr.	7.06	3.31
PAT Margin	(%)	3.08	1.54
Total Debt/Tangible Net Worth	Times	1.31	1.31
PBDIT/Interest	Times	4.80	4.50

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, Acuite 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
08 Sep 2023	Term Loan	Long Term	17.55	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.03	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.95	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	14.75	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3+ (Reaffirmed)
24 Jun 2022	Working Capital Term Loan	Long Term	5.37	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.67	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	19.74	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	19.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3+ (Upgraded from ACUITE A3)
01 Apr 2021	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	19.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	19.24	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.67	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	5.37	ACUITE BBB- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Assigned)
24 Mar 2021	Proposed Long Term 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.83	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	15 Jan 2021	Not avl. / Not appl.	31 Dec 2027	Simple	16.91	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	05 Oct 2015	Not avl. / Not appl.	31 Jan 2025	Simple	2.93	ACUITE BBB Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	10 Jul 2024	Not avl. / Not appl.	10 Dec 2028	Simple	5.70	ACUITE BBB Stable Assigned
Axis Bank	Not avl. / Not appl.	Warehouse Receipt Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.42	ACUITE A3+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Warehouse Receipt Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.58	ACUITE A3+ Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	25 Sep 2020	Not avl. / Not appl.	25 Aug 2024	Simple	1.19	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dheeraj Salian Associate Analyst-Rating Operations Tel: 022-49294065 dheeraj.salian@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.