

Press Release

Tirupur Textiles Private Limited

January 05, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.65	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	10.35	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and assigned its short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.65.00 Cr bank facilities of TIRUPUR TEXTILES PRIVATE LIMITED (TTPL). The outlook is '**Stable**'.

Rationale for the rating

The ratings assigned are based on the experienced management and establish track record of operations and moderate financial risk profile. The rating is constrained by its working capital intensive operations and highly competitive industry, susceptibility of margins to volatility in raw material prices.

About the Company

Based in Tamil Nadu, Tirupur Textiles Private Limited was incorporated in 1956 with registered office at Anupparpalayam, Tirupur. The company is engaged in the manufacturing of Cotton Hosiery Yarn. It is managed by Mr. Kasthuriswamynaidu Chelladurai, Mr. Sivasubramaniam Vijaykrishna, Mr. Krishnaswamy Devarajan and Mr. Narayanasamy. The installed capacity is 59,712 spindle. The Company's installed capacity is to produce 16,435 Kg of cotton per day. The company manufactures 40's, 60's and 70's cotton count range. Out of 59,712 spindles, 12,000 spindles are compact and remaining being combed yarn.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the TTPL to arrive at this rating.

Key Rating Drivers

Strengths

Promoter's extensive industry experience and established track record of the company

TTPL is a family-owned business with existence of more than 7 decades in the cotton spinning

industry. The company was established in 1956 registered office at Anupparpalayam, Tirupur. Mr.S.Vijaykrishna, Managing Director, having an industry experience of 40 years. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers for over 3 decades. With promoter's extensive industry experience and established existence, TTPL has been able to establish long-standing relationship with its suppliers and customers. The key customers of the company include names like Lux Industries Limited, Pingalaksha Agencies Private Limited, Crystal Knitters Private Limited amongst others. On the back of the stable demand and repeated orders from its key customers, the company's revenue have reached Rs.142.03 Cr in FY2022. Acuité believes that the promoter's extensive industry experience and established relation with its customers and suppliers will aid TTPL's business risk profile over the medium term.

Moderate financial risk profile

Financial risk profile of TTPL is moderate marked by moderate net worth, moderate gearing and moderate debt protection metrics. The net worth of the company stood at the same level of Rs.63.72 Cr as on March 31, 2022 and Rs.40.96 Cr as on March 31, 2021. The gearing (debt-equity) stood moderate at 0.86 times as on March 31, 2022 as against 1.72 times as on March 31, 2021 on account of closure of long term loans in the FY2021. The total debt of Rs.55.11 Cr as on March 31, 2022 consists of Long term debt of Rs.13.18 Cr, unsecured loans from directors of Rs.10.38 Cr, short term borrowings of Rs.24.55 Cr and current year repayment obligation of Rs.7.00 Cr. The interest coverage ratio and DSCR stood improved at 5.68 times and 1.79 times for FY2022 as against 5.10 times and 1.64 times for FY2021. The Net Cash Accruals to Total debt stood at 0.49 times for FY2022 as against 0.36 times for FY2021. The Total outside liabilities to Tangible net worth stood marginally high at 1.34 times for FY2022 as against 2.55 times for FY2021. Acuité believes that the financial risk profile of TTPL will remain moderate over the medium term on account of moderate debt levels and tangible net worth.

Weaknesses

Working capital intensive operations

The operations of TTPL are moderately working capital intensive marked by its Gross Current Assets (GCA) of 107 days for FY2022 as against 244 days for FY2021. This is primarily on account of high inventory days. The inventory days stood at almost same level of 88 days in FY2022 as against 242 days in FY2021 as the company generally maintains an average inventory holding of 2 to 3 months. On the other hand, the receivable days stood improved at 17 days in FY2022 as against 32 days in FY2021 on account of improved realisation from the debtors during the year as well as the creditor days stood improved at 77 days in FY2022 as against 197 days in FY2021. Acuité believes that TTPL's ability to maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Highly competitive industry and susceptibility of margins to volatility in raw material prices

The garment industry is a highly fragmented industry and presence of large number of organised and unorganised players has created high competition in the industry. TTPL faces competition from large players as well as numerous players in the unorganised segment. The entry barriers are low thereby leading to stiff competition for players like TTPL. Further, operating and profitability margins are expected to remain susceptible to fluctuations in the raw material prices like cotton and yarn. TTPL is currently incurring capex around Rs.6.54 Cr for implementation of compact system for spinning plant. The same is funded through bank finance of Rs.5.00 Cr and remaining amount being promoter's contribution. Acuité believes this will lead to increase efficiency and higher production level of TTPL in the medium term.

Weak Current Ratio

TTPL has weak current ratio in the past three years ending FY2022. The current ratio stood at 0.65 times in the FY2022 against 0.46 times in the FY2021. The major reason for the weak current ratio is due to the high amount of provision for taxation and advance received for the sale of land. Adjusted current ratio excluding these amounts are 1.84 times and 1.43 times for FY2022 and FY2021.

Rating Sensitivities

Positive

- Significant improvement in scale of operations while maintaining profitability margins.
- Sustainable improvement in Leverage and Solvency position of the company.

Negative

- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile.
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity.

Material covenants

None

Liquidity: Adequate

The liquidity profile of TTPL is adequate marked adequate NCAs vis-à-vis its debt obligations; albeit constrained by weak current ratio and high bank limit utilisation. The current ratio stood at 0.65 times in the FY2022 against 0.46 times in the FY2021. The major reason for the weak current ratio is due to the high amount of provision for taxation and advance received for the sale of land. The company has generated sufficient Net Cash accruals (NCA) at Rs.27.04 Cr. against repayment obligation for the FY2022 is Rs.7.00 Cr. The NCAs have been adequate during the last 3 years ending FY2022 due to the non-operating income of Rs.10.21 Cr in FY2022, Rs.34.02 Cr in FY2021 and Rs.22.94 Cr in FY2020 received from sale of its assets. The adjusted NCAs excluding the above were at Rs.16.83 Cr in FY2022 and Rs.(8.47) Cr in FY2021, against debt obligations of Rs.7.00 Cr in FY2022 and Rs.12.00 Cr in FY2021. The NCAs for FY2022 to FY2024 are expected to be in the range of Rs.13.20 – Rs.14.82 Cr against Current portion of long term debt (CPLTD) of Rs.9.74- Rs.4.44 Cr. The average Bank utilization of the CC limit stood at 94.65% for the latest 12 month ending November 2022.

Outlook: stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters and healthy financial risk profile. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its working capital management and liquidity. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to deterioration in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	142.03	52.76
PAT	Rs. Cr.	25.46	24.03
PAT Margin	(%)	17.93	45.54
Total Debt/Tangible Net Worth	Times	0.86	1.72
PBDIT/Interest	Times	5.68	5.10

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, 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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4 Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE B+ Stable Assigned
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.10	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	25.80	ACUITE B+ Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.52	ACUITE B+ Stable Assigned
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	10.33	ACUITE B+ Stable Assigned

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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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