



**Press Release**  
**Tirupur Textiles Private Limited**  
**September 07, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE B+   Stable   Assigned	-
Bank Loan Ratings	65.00	ACUITE B+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	76.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.65.00 Cr bank facilities of TIRUPUR TEXTILES PRIVATE LIMITED (TTPL). The outlook is '**Stable**'. Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.11.00 Cr bank facilities of TIRUPUR TEXTILES PRIVATE LIMITED (TTPL). The outlook is '**Stable**'.

**Rationale for the rating: -**

The rating reaffirmation is based on experienced management, established track record of operations. The rating is constrained by below average debt protection metrics, working capital intensive operations along with highly competitive industry and 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.109.96 Cr in FY2023 (prov). 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.

### **Weaknesses**

#### **Below -Average in debt protection metrics albeit moderate capital structure**

TTPL's stood at the Rs.64.81 Cr as on March 31, 2023 (prov) as against Rs.63.72 Cr as on March 31, 2022. The gearing (debt-equity) deteriorated and stood at 1.24 times as on March 31, 2023 (prov) as against 0.86 times as on March 31, 2022 on account of increase on the debt obligations. The total debt of Rs.80.58 Cr as on March 31, 2023 (prov) consist of long-term debt of Rs.35.99 Cr, unsecured loan from directors and promoters of Rs.10.42 Cr, Short term debt of Rs.28.36 Cr and maturing portion of long term borrowings of Rs.5.81 Cr.

The Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) deteriorated and stood at 1.57 times and 0.71 times respectively for FY2023(prov) as against 5.68 times and 1.79 times respectively in FY2022. The Net Cash Accruals to Total debt stood at 0.04 times for FY2023 (prov) as against 0.49 times for FY2022. Acuité believes that the financial risk profile of TTPL will remain below -average over the medium term on account of increased debt levels.

#### **Working capital intensive operations**

TTPL's working capital is intensive marked by its Gross Current Assets (GCA) of 107 days for FY2023 (prov) as against 160 days for FY2022. The GCA days are majorly marked by moderate debtor days and inventory days. Debtor days stood at 26 days as on 31<sup>st</sup> March 2023 (prov) as compared to 17 days as on 31<sup>st</sup> March 2022. The Inventory days stood at 106 days as on 31<sup>st</sup> March 2023 (prov) as compared to 88 days as on 31<sup>st</sup> March 2022. TTPL decreased its creditors by raising long term debt. The creditor days stood at 28 days as on 31<sup>st</sup> March 2023 (prov) as compared to 77 days as on 31<sup>st</sup> March 2022. The fund based CC limit remained highly utilized at an average of nearly 98.72 per cent for the 6 months ending June 2023

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. The operating margins of the company declined to 5.72 % in FY2023 (Prov) as against 20.53 % in FY2022, primarily on account of high input cost.

### **Rating Sensitivities**

- Significant improvement in scale of operations while maintaining profitability margins.
- Sustainable improvement in Leverage and Solvency position of the company.
- Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity

### **All Covenants**

Not Applicable

### **Liquidity Position: Poor**

The liquidity profile of TTPL is poor marked by insufficient net cash accruals against repayment obligations. The company in FY2023 (Prov) generated net cash accruals of Rs.3.17 Cr against Rs.5.81 Cr towards its maturing debt obligations during the same period. The funding gap was met through raising of long term loans. The cash accruals are estimated to be in the range of 3.75-5 Cr over the medium term against repayment obligations of RS.6.7 Cr during the same

period The current ratio stood at 1.00 times in the FY2023 (prov) against 0.65 times in the FY2022. The Cash and Bank balance as on 31st March 2023 (prov) stood at Rs.0.55 Cr. The fund based CC limit remained highly utilized at an average of nearly 98.72 per cent for the 6 months ending June 2023

**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. 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 further deterioration in liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	109.96	142.03
PAT	Rs. Cr.	1.59	25.46
PAT Margin	(%)	1.45	17.93
Total Debt/Tangible Net Worth	Times	1.24	0.86
PBDIT/Interest	Times	1.57	5.68

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

Brickworks vide its press release dated 24th May 2023, 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. 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jan 2023	Bank Guarantee	Short Term	0.25	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	10.10	ACUITE A4 (Assigned)
	Term Loan	Long Term	3.52	ACUITE B+   Stable (Assigned)
	Proposed Bank Facility	Long Term	25.80	ACUITE B+   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE B+   Stable (Assigned)
	Working Capital Term Loan	Long Term	10.33	ACUITE B+   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
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	23.00	ACUITE B+   Stable   Reaffirmed
Federal Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	8.65	ACUITE B+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	11.35	ACUITE B+   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE B+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE B+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.00	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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