

## Press Release

Shri Maa Textiles Limited

May 08, 2023

## Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

## Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE four plus**) on the Rs. 75.00 Cr bank facilities of Shri Maa Textiles Limited (SMTL). The outlook is '**Stable**'.

### Rationale for the rating

The rating reflects the synergies derived from the background of the promoters, absence of any offtake/demand risk, procurement risk, funding risk or marketing risk on the back of the agreement and positive industry outlook buoyed by support from the government. However, these strengths are partly offset by the company's exposure to implementation risks and expected leveraged capital structure.

### About the Company

**Shri Maa Textiles Limited** (SMTL) was incorporated on 31st March 2022 for setting up a textile plant for manufacturing of PV Fabric with an **installed capacity of 2.41 crore meters** at Jamuria, Asansol under a four partite agreement under West Bengal Incentive Scheme for MSMEs in power loom sector. The unit is located near the existing unit of Hariom Polypacks Ltd. The other parties to the agreement The WB State Handloom Weaver's Co-operative Society Ltd (better termed as Tantuja) will be supplying yarn to SMTL and provide the specifications of the fabrics to be produced, The Directorate of Textiles, Govt. of WB is responsible for overseeing the timely disbursement of the fiscal incentives under the scheme and the fourth party is State Bank of India, Asansol Branch that will provide financial assistance to the project.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SMTL to arrive at the rating.

### Key Rating Drivers

### Strengths

## **Extensive experience of the promoters**

The company is a group company of the Shri Maa Group (Acuité A-/Stable/A2+). The key promoters Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma. The key promoter directors of the group have more than two decades of experience in the plastic and packaging industry. The extensive experience of the directors, their strong understanding of the market dynamics and the secured offtake agreement will support the business going forward. The proposed plant has location advantage of being located adjacently located to the factory of Hariom Polymers Pvt. Ltd which will support the operational efficiency.

## **No procurement risk or Off-take risk**

The company has no such procurement risk, as under the WB Incentive Scheme for MSMEs in Power Loom Sector, the company has entered into a four party agreement where Tantuja (second party) will supply yarn to SMTL by maintaining 15 days of yarn stock for conversion into PV fabric by paying a conversion charge of Rs.25.29/ per meter for a period of three years. However, SMTL is required to submit bank guarantee to Tantuja @ 25 percent of the value of yarn supplied, which has been factored in the working capital margin of the total project cost.

Also, the company has no such off take or demand risk, as Tantuja will collect the entire quantum of woven fabrics as the government of WB requires woven fabric of 6 Cr meters annually for providing school uniforms in govt. schools. However, the agreement states that the company can sell any surplus quantity in the external market upto the design capacity (i.e., upto 2.41 Cr meters p.a.).

Acuité believes SMTL's ability to execute the timely supply of woven fabrics will be a key rating monitorable .

## **Low funding risk**

The project's funding risk is low as the debt requirement has been tied up, the financial institution being one of the party to the agreement overseeing the financial assistance. 30% of the equity requirement has already been infused till February 28, 2023. The budgeted project cost of Rs. 80.00 crore is estimated to be funded by a debt-to-equity ratio of 1.86:1. In this project, up to February 2023, the company has incurred Rs.46.63 Cr, of which Rs. 37.16 Cr given as advance for procuring imported machineries from Japan (Tsudakoma Corporation) which has been funded by Capex LC of Rs. 35 Cr and remaining through term loan.

## **Weaknesses**

### **Expected leveraged capital structure**

The company's capital structure is expected to remain below average marked by low networth base and high gearing over the medium term. The tangible net worth of the company improved to Rs.7.00 crores as on 31st March, 2023 (provisional) due to equity infusion by the promoters. Gearing of the company will increase and is expected to remain at high levels in FY2023-24 as the company plans to avail long term facility from bank for its pending construction, plant and machinery purchase and installation. The total cost of project is Rs.80.00 Cr which is to be funded partly through Rs.52.00 Cr term loan from State Bank of India and remaining from promoter's contribution and unsecured loans. The financial closure has been achieved on the back of the agreement. In FY24, the company is expected to use the remaining sanctioned amount, and with this the gearing level is expected to increase in FY24. The promoters are resourceful and will infuse any incremental funding requirement if the situation arises. The scheduled time for completion of the project is August 2023. Acuité believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure over the medium term.

## **Exposure to implementation risk**

The project is at an intermediate stage of execution, with 58 per cent project progress as on February 28, 2023. SMTL is scheduled to commence its commercial production in

October 2023 and has already purchased the land till February, 2023. Even though the company had already incurred more than half of its projected cost, still the company is exposed to execution risk as ~42 per cent of the project cost is yet to be incurred. The management expects the commencement of trial run in the mid of August 2023. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. Acuité would continue to monitor the project progress, and the track record of operations, once commercialised, and take rating actions appropriately.

### Rating Sensitivities

- Timely completion of the project without any cost or time overrun
- Timely stabilisation of operations

### Material covenants

None

### Liquidity Position: Adequate

The company's adequate liquidity position is expected to support debt servicing in the near-to-medium term on account of presence of DSRA account to ensure timely repayment. Furthermore, debt service reserve account (DSRA) requirement for meeting two quarter's instalment and interest servicing requirement shall be created by the company upfront upon achieving COD. SMTL is required to submit bank guarantee to Tantuja @ 25 percent of the value of yarn supplied, which has been factored in the working capital margin of the total project cost. Net cash accrual is expected to be adequate, post completion too with no off take risk and fixed conversion charge. The promoters are expected to infuse equity and unsecured loans to support the business. The sanctioned fund based limits are expected to provide cushion to the working capital cycle post commissioning. However, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

### Outlook: Stable

Acuité believes that SMTL will maintain a 'Stable' outlook on the basis of the positive outlook in the ethanol industry. The outlook may be revised to 'Positive' in case of timely stabilisation of operations. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	0.00	0.00

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

None

### Any other information

Not Applicable

### 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](http://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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BB+   Stable   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BB+   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	52.00	ACUITE BB+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Srijita Chatterjee Lead Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:srijita.chatterjee@acuite.in">srijita.chatterjee@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.