



Press Release
Shri Maa Textiles Limited
August 01, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	5.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE four plus**) to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 75.00 Cr. bank facilities of Shri Maa Textiles Limited (SMTL). The outlook is '**Stable**'.

Rationale for Upgrade

The rating reflects the synergies derived from the background of the promoter families, absence of any offtake/demand risk and no exposure to implementation risk, high-end imported machineries to provide competitive edge and easy availability of raw materials on the back of the agreement and positive industry outlook buoyed by support from the government. The rating also considers the pre-determined rate at which the company sells its products to the government is subject to revision every six months, hence both prices of raw material and finished goods are fixed and the company expects to earn a stable operating margin after all costs. However, the rating is constrained by the below average financial risk profile of the company.

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 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 provides financial assistance to the project. The key promoters of the company are Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma.

Unsupported Rating

Not Applicable

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. The key promoters Mr. Sajjan Bansal and Mr. Rajesh Kumar Sharma 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.

No procurement risk or Off-take risk

The company has no 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.

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.). The plant construction was completed in December and commercial operations started at the end of February 2024. The company generated operating income of Rs. 7.27 Cr. in FY24(Prov.) after commencing its operations.

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

Weaknesses

Leveraged Capital Structure

The company's capital structure is expected to remain average marked by low net worth base and high gearing over the medium term. The tangible net worth of the company improved to Rs. 14.83 Cr. as on March 31, 2024 (Prov.) as against Rs. 5.34 Cr. as on March 31, 2023, due to equity infusion by the promoters. Gearing of the company stood at 5.44 times as on March 31, 2024 (Prov.) as the company availed long term facility from bank for its construction, plant and machinery purchase and installation. The total debt of the company stood at Rs. 80.65 Cr. in FY24(Prov.) The TOL/TNW stood at 5.67 times on March 31, 2024(Prov.). The debt protection metrics are adequate with debt service coverage ratio of 1.26 times in FY24(Prov.). Also, the interest coverage ratio stood at 2.90 times in FY24(Prov.). 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.

Rating Sensitivities

- Sustained improvement in its scale of operations and profitability.
- Improving the capital structure and liquidity position.

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. The company maintains debt service reserve account (DSRA) of two quarter's instalment and interest servicing requirement. The net cash accruals of the company stood at Rs. 2.24 Cr. against matured debt obligations of Rs. 1.50 Cr. in FY24(Prov.). Also, the company is expected to generate net cash accruals of ~Rs. 9.01 Cr. to ~Rs. 11.61 Cr. in FY25-FY26 as against maturing repayment obligations of Rs. 6.00 Cr. to Rs. 8.00 Cr. during the same period. The average bank limit utilisation by the company remained high at 91.09% for fund-based facilities and 51% for non-fund-based facilities for the six months ended June 2024.

Outlook: Stable

Acuité believes that SMTL will maintain a 'Stable' outlook over the medium term owing to its experienced management and absence of any offtake/demand risk. The outlook may be revised to 'Positive' in case of improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity and leverage position on a prolonged basis or lower than expected generation of revenue and profitability margin.

Other Factors affecting Rating None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	7.27	0.00
PAT	Rs. Cr.	1.57	(0.11)
PAT Margin	(%)	21.60	0.00
Total Debt/Tangible Net Worth	Times	5.44	1.11
PBDIT/Interest	Times	2.90	0.00

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 May 2023	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	52.00	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	4.00	ACUITE A4+ (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	4.00	ACUITE A3 Upgraded (from ACUITE A4+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3 Upgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Term Loan	31 Aug 2022	Not avl. / Not appl.	31 Mar 2030	Simple	52.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Nidhi Gala Associate Analyst-Rating Operations Tel: 022-49294065 nidhi.gala@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.