

Press Release

Tandhan Cotton Mills Private Limited

May 10, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	143.50	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	13.50	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	157.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **Acuite A four**) on Rs. 157.00 crore bank loan facilities of Tandhan Cotton Mills Private Limited (TCMPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned factors in the extensive experience of the promoters of over two decades across various businesses especially in the textile industry. The rating however remains constrained by the susceptibility of delay in commencement of operations and existence in highly competitive and fragmented industry.

About the Company

Tandan Cotton Mills Private Limited (TCMPL) was incorporated in 2016 to manufacture Denim Fabrics. The company has purchased a land of 9.49 acers in Sabsit Bagnan, Howrah for setting up its manufacturing facility.

TCMPL is promoted by Mr. Ankit Jalan, Mr. Anuj Jalan and Mr. Kishan Lal Modi who have over two decades of experience in the textile industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Tandhan Cotton Mills Private Limited (TCMPL)

Key Rating Drivers

Strengths

Experienced promoters and established track record of group companies

Tandhan Cotton Mills was incorporated in 2016 to manufacture and supply denim fabrics for the domestic and the export markets. The experienced promoters have been in the business of trading of ready-made garments, manufacturing of HDPE Tarapaulin, hospitality and trading over the last two decades, which helped them build longstanding relationships with

its customers and suppliers.

Acuité believes the experience of the promoters and their established relationship with its customers will the company improve its business risk profile upon commencement of operations.

Weaknesses

Susceptible to the delayed execution of the construction of its manufacturing facility.

TCMPL has purchased a land of 9.49 acres at Sabsit Bagnan, Howrah in West Bengal for setting up of the manufacturing facility. The total cost of the project is Rs. 185 crore which will be funded through 65 percent of bank loans and 35 percent of promoters contribution. The company has completed ~75 percent of the cost for setting up of the manufacturing facility and is expected to be completed by the scheduled completion date of October 2023. Any delay in commencement of operations will affect the company's ability to scale up its operations, thereby leading to deterioration in the debt service ability of the company.

Acuité believes that the timely completion of project and commencement of operations will remain a key rating sensitivity.

Highly competitive and fragmented industry

TCMPL operates in a highly competitive and fragmented denim fabric industry amongst several organized and unorganized players. The company also faces stiff competition from several international players in the industry. This limits the bargaining power of the company. However, extensive experience of the promoters helps the company in mitigating the risk to a larger extent.

Rating Sensitivities

Timely completion of commencement of operations

Any stretch in liquidity leading to deterioration in financial risk profile

Material covenants

None

Liquidity Position

Adequate

The company has already received disbursement of bank limits of Rs, 83.15 crore for completion of project and has Rs. 35 crore of undisbursed limits available for draw down along with additional infusion of capital of ~Rs. 14 crores by the promoters. Additionally, the term loans also have a principal moratorium till December 2024.

Acuite believes that the ability of the company to maintain adequate liquidity will remain a key rating sensitivity.

Outlook: Stable

Acuité believes the outlook on TCMPL will remain 'Stable' over the medium term on the back of extensive experience of the promoters. The outlook may be revised to 'Positive' if the company is able to ramp up and stabilise its operations in the near to medium term thereby leading to adequate cash generation. Conversely, the outlook may be revised to 'Negative' in case of further delays in project execution leading to any adverse implications on its liquidity and ability to service its debt obligations.

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.	1.04	0.44
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.17	0.12
PBDIT/Interest	Times	1172.39	8297.63

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

Crisil vide its press release dated 29th August 2022, had denoted the company to CRISIL B+/CRISIL A4; Issuer Not Cooperating.

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
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4 Assigned
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A4 Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4 Assigned
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4 Assigned
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE B+ Stable Assigned

Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE B+ Stable Assigned
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE B+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE B+ Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.40	ACUITE A4 Assigned
Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE B+ Stable Assigned
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.00	ACUITE B+ Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	37.00	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	35.00	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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