



Press Release
Tandhan Cotton Mills Private Limited
August 07, 2024
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	143.50	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	13.50	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	157.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed the 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 remains '**Stable**'.

Rationale for Upgrade

The rating upgrade takes into account completion of ongoing capex and commencement of commercial production at the newly constructed manufacturing unit of TCMPL. The project achieved COD on February 01, 2024. In FY2024(Prov.) the company has recorded turnover of Rs. 4.89 crore from sale of fabric primarily domestically. The rating also draws comfort from the extensive experience of the promoters in the textile industry along with maintenance of DSRA equivalent to two instalments and interest. The maintenance of DSRA supports the stretched liquidity position of the company which is underlined by weak financial risk profile and dependence on funds infusion by promoter in the form of unsecured loans over the near to medium term. Going forward, the company's ability to scale up its operations, improve profitability and generate higher cash accruals while improving its financial risk profile will remain a key rating monitorable.

About the Company

Howrah based Tandhan Cotton Mills Private Limited was incorporated in 2016. The company was setting up a manufacturing facility to manufacture denim fabrics. The company has achieved Commercial Operations Date (COD) on 1st February 2024. The company has 100 looms at its manufacturing facility and are currently operating at 60-65 percent capacity. The company makes domestic sales as well as exports the denim fabrics. The directors of the

company are Mr. Kishan Lal Modi and Mr. Anuj Jalan.

Unsupported Rating

Not Applicable

Analytical Approach

Acuitè 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.

Acuitè believes the experience of the promoters and their established relationship with its customers will help the company to improve its business risk profile.

Weaknesses

Weak Financial Risk Profile

The financial risk profile of the company is marked weak driven by weak debt protection metrics albeit moderate gearing. The tangible networth of the company stands at Rs. 100.03 crore on March 31, 2024 (Prov.) and includes unsecured loans worth Rs. 57.22 crore as quasi equity as the company has subordinated the unsecured loans to the bank debt. There has also been an equity infusion by the promoters in FY2024. The gearing stood at 1.30 times on March 31, 2024 as the company had availed debt to fund the construction of its manufacturing facility. The gearing is expected to increase in the near to medium term, as the company is planning an additional capex for installing 40 looms in its manufacturing facility. The capex will be funded through a mix of debt and promoter contribution. TOL/TNW stood at 1.51 times on March 31, 2024 (Prov.). The Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at (0.90) times on March 31, 2024 (Prov.).

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

- Deterioration in financial risk profile and liquidity position
- Improvement in scale of operations and profitability margins

Liquidity Position Stretched

TCMPL's liquidity position is stretched marked by low net cash accruals against repayment obligations. The company commenced its operations from February 2024 onwards. The company is expected to generate low net cash accruals against its repayment obligations of ~Rs. 3.60-9.00 crore for the period FY2025-2026. The gap in funding is estimated to be met by infusion of additional funds by its promoters in the form of unsecured loans. The company has an unencumbered cash and bank balance of Rs. 1.40 crore as on March 31, 2024 (Prov.). The company is also maintaining a DSRA equivalent to two instalments and interest with the bank. Acuite believes, the company's liquidity position is likely to remain stretched in view of its nascent stage of operations and dependence on promoter funding over the near to medium term.

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 lower than expected revenue and profit generation or deterioration in its liquidity position and debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	4.89	0.00
PAT	Rs. Cr.	(8.26)	0.06
PAT Margin	(%)	(168.68)	0.00
Total Debt/Tangible Net Worth	Times	1.30	0.55
PBDIT/Interest	Times	(0.90)	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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 May 2023	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4 (Assigned)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A4 (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4 (Assigned)
	Proposed Short Term Bank Facility	Short Term	0.60	ACUITE A4 (Assigned)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A4 (Assigned)
	Proposed Short Term Bank Facility	Short Term	0.40	ACUITE A4 (Assigned)
	Term Loan	Long Term	23.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	2.50	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	37.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE B+ Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.50	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	5.00	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
UCO Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A4 Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4 Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4 Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BB- Stable Upgraded (from ACUITE B+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE BB- Stable Upgraded (from ACUITE B+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BB- Stable Upgraded (from ACUITE B+)
Not	Not avl. /	Proposed Short Term	Not avl. /	Not avl.	Not avl.			ACUITE A4

Applicable	Not appl.	Bank Facility	Not appl.	/ Not appl.	/ Not appl.	Simple	0.60	 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.40	ACUITE A4 Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	26 Aug 2022	Not avl. / Not appl.	30 Jun 2032	Simple	25.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
UCO Bank	Not avl. / Not appl.	Term Loan	08 Feb 2023	Not avl. / Not appl.	30 Jun 2032	Simple	23.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
Union Bank of India	Not avl. / Not appl.	Term Loan	26 Aug 2022	Not avl. / Not appl.	30 Jun 2032	Simple	37.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
State Bank of India	Not avl. / Not appl.	Term Loan	28 Aug 2022	Not avl. / Not appl.	30 Jun 2032	Simple	35.00	ACUITE BB- Stable Upgraded (from ACUITE B+)

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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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