Press Release
EPIC YARNS PRIVATE LIMITED
July 01, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale
Acuité has assigned its long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 25.00 Cr. bank facilities of Epic Yarns Private Limited (EYPL). The outlook is **'Stable'**.

Rationale for rating assigned
The rating assigned considers the established track record of the company over the last three years along with its experienced management. However, the operating income of the company declined marginally and stood at Rs. 130.32 crore in FY24 (Prov.) as against Rs. 136.46 crore in FY23. The rating is further supported by a healthy financial risk profile for the company marked by above average gearing and comfortable debt protection metrics. The debt-equity stood at 2.15 times, while the adjusted debt-equity stood at 0.04 times as on 31st March 2024 (Prov.). Further, the Interest Coverage Ratio stood at 40.39 times and Debt Service Coverage Ratio at 17.80 times as on 31st March 2024 (Prov.). However, these strengths are partly offset by the moderately intensive working capital operations for the company as marked by higher GCA days of 173 days in FY24 (Prov.). Further, it also factors in the business risk faced by the company in terms of customer concentration, as more than 55 percent of the revenue is generated from the top 2 customers and its profitability is also susceptible to volatility in raw material prices.

About the Company
"Epic Yarns Private Limited" (EYPL) was incorporated as a private limited company on 26th August 2019. EYPL is promoted by Mr. Akshat Agrawal & Aayush Agrawal. EYPL is engaged in the manufacturing and selling of all types of yarns like cotton, cotton blends, viscose, viscose blends, linen blends, standard woven and knitting yarn, slub and lycra yarn etc. The company has set up a manufacturing capacity of 9,125 tons of yarn/annum and 75,000 spindles with lycra attachments on 3200 spindles and a variety of slub attachments (short, normal and injection) on 14,000 spindles at Islampur Integrated Textile Park Pvt Ltd Village – Peth Naka Islampur Tal- Walwa Dist - Sangli Maharashtra - 415407. The commercial production commenced in September 2021.

Unsupported Rating
Not Applicable

Analytical Approach
Acuité has considered the standalone business and financial risk profiles of Epic Yarns Private Limited (EYPL) to arrive at the rating.

Key Rating Drivers

Strengths

Stable scale of operations and albeit improving profitability

The operating income of the company declined marginally and stood at Rs.130.32 crore in FY24 (Prov.) as against Rs. 136.46 crore in FY23. The decline in operating income is attributed to a decrease in the sales volume albeit a better realization of prices. The company recorded revenue of approximately Rs. 25 crore upto May 2024. The operating margins of the company have seen an increase over the years. The operating margins of the company stood at 10.02 percent in FY24 (Prov.) as against 8.44 percent in FY23 and 8.21 percent in FY22. Such an increase in the operating margins is on account of a decline in raw material prices. The PAT margins stood at 5.58% in FY24 (Prov.) as against 5.62% in FY23.
Acuite believes that the company's ability to sustain its scale of operations while maintaining profitability will remain a key rating sensitivity.

Healthy Financial Risk Profile
The financial risk profile of the company is healthy marked by above-average networth, above-average gearing and comfortable debt protection metrics. The tangible networth of the company stood at Rs. 22.65 crore as on March 31, 2024 (Prov.) against Rs. 15.38 crore as on March 31, 2023 and Rs. 7.45 crore as on March 31, 2022. The networth of the company has strengthened over the years on account of the increase of accretion to reserves. The total debt of the company stood at Rs. 48.80 crore as on March 31, 2024 (Prov.) and includes long-term vehicle loans of Rs. 0.76 crore and unsecured loans from directors of Rs. 47.79 crore. The gearing (debt/equity) ratio improved to 2.15 times as on March 31, 2024 (Prov.) as against 2.79 times as on March 31, 2023. Adjusted gearing (debt-equity) ratio after excluding unsecured loans from the directors improved to 0.04 times as on 31 March, 2024 (Prov.) as against 0.08 times as on 31 March 2023. The debt protection metrics stood comfortable with Interest Coverage Ratio at 40.39 times for FY24 (Prov.) as against 174.36 times for FY23. Debt Service Coverage Ratio (DSCR) stood at 17.80 times in FY24 (Prov.) as against 135.60 times in FY23. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.48 times as on 31 March 2024 (Prov.) as against 6.03 times as on 31 March 2023. Adjusted Total outside Liabilities/Total Net Worth (TOL/TNW) ratio after excluding unsecured loans from the directors/promoters improved to 2.31 times in FY24 (Prov.) as against 3.32 times in FY23. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.20 times for FY24 (Prov.) as against 0.22 times for FY23.
Acuite believes that the financial risk profile of the company is likely to improve in the near to medium term on account of likely improvement in the scale of operations and no debt funded capital expenditure.

Weaknesses

Moderately Intensive Working capital operations
The working capital operations of the company stood moderately intensive marked by GCA days of 173 days in FY24 (Prov.) as against 119 days in FY23. High GCA days are on account of elevated inventory of Rs. 39.09 crore in FY24 (Prov.) as against Rs. 15.03 crore in FY23. The collection period stood low at 6 days in FY24 (Prov.) as against 2 days in FY23 owing to sales made on advance payments by the customers. The inventory holding stood high at 122 days in FY24 (Prov.) as against 44 days in FY23. The high inventory days are on the account of the company dealing in a variety of products, necessitating ready inventory for immediate supply to the customers. On the other hand, the creditors' period stood moderate at 26 days in FY24 (Prov.) as against 18 days in FY23, owing to a moderate credit period of 25-30 days extended by the suppliers to the company.
Acuite believes that the working capital operations of the company may continue to remain moderately intensive.

Highly competitive textile industry and susceptibility of profits due to the fluctuations in the raw material prices
The textile industry in India is highly fragmented and competitive marked by the presence of a large number of organised and unorganised players. The company is exposed to intense competition from both domestic players as well as established players in the overseas market. The shifts in consumption patterns may have an impact on the operations of the company. The company maintains a 2-3 month stock of cotton and linen to mitigate the effects of price fluctuations, whereas the price fluctuations of Modal, Modal Excel and Polyester are passed

on the customers.
Acuité believes that EYPL will be able to maintain its operating profitability around existing levels notwithstanding the volatility in prices of its key inputs, on the back of its position in the domestic markets.

Rating Sensitivities

Sustained improvement in scale of operations while maintaining profitability
Elongation in working capital operations leading to stretch in liquidity position

Liquidity Position

Adequate

The liquidity position remains adequate, evidenced by sufficient net cash accruals offsetting maturing debt obligations. Net cash accruals ranged Rs. 3.5-9.63 crore between FY22 and FY24 (Prov.), surpassing mature repayment obligations of Rs. 0.24 crore in FY23. Projections indicate adequate liquidity, with expected cash accruals ranging from Rs. 10 crore to Rs. 13.55 crore against maturing repayment obligations of Rs. 0.26 crore to Rs. 0.28 crore over the medium term. The cash and bank balance stood at Rs. 0.25 crore as on 31st March 2024 (Prov.) The current ratio has improved slightly to 1.22 times on March 31, 2024 (Prov.) from 0.93 times on March 31, 2023, affirming the company's sound liquidity position.
Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on EYPL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the company is able to successfully utilize higher capacity which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by EYPL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	130.32	136.46
PAT	Rs. Cr.	7.27	7.67
PAT Margin	(%)	5.58	5.62
Total Debt/Tangible Net Worth	Times	2.15	2.79
PBDIT/Interest	Times	40.39	174.36

Status of non-cooperation with previous CRA (if applicable)
None.

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.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 :
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
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB- | 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.