



**Press Release**  
**CHENDHOOR MURUGHAN YARN TEX INDIA PRIVATE LIMITED**  
**February 04, 2025**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	156.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A2   Assigned
Total Outstanding Quantum (Rs. Cr)	161.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.161 Cr. bank facilities of Chendhoor Murughan Yarn Tex India Private Limited (CMYTPL). The outlook is "**Stable**".

**Rationale for rating**

The rating is based on strong business growth trajectory; supported by diversified operations in yarn manufacturing business, and savings in power cost through captive wind, and solar energy generation; moderate financial risk profile and higher generation of cash accruals. The company achieved significant revenue growth, reaching Rs. 291.56 Cr. in FY2024 (PY Rs.192.38 Cr.), driven by increased volumes and higher sales of premium yarn products. CMYTPL has leveraged debt to finance its capital expenditures, as evidenced by a gearing ratio of 2.52 times and a moderate interest coverage ratio of 2.73 times. The company's working capital management is moderate, with notable improvements in inventory days and a short debtor cycle, although an increase in payable days. Despite a low current ratio of 0.88 times, CMYTPL's robust cash flow generation (net cash accruals of Rs. 26.42 Cr. as in FY24) ensures that it has adequate liquidity to meet its medium-term debt obligations. While the debt levels have increased, the company's integrated energy strategy provides some cushion through cost savings from wind and solar power. Overall, CMYTPL's financial profile reflects strong revenue growth and sufficient liquidity, tempered by higher debt levels and pressure on margins. The rating is also supported by experienced management in the industry and healthy relationship with its supplier and customers. Additionally, the strengths are partially offset by its exposure to supplier concentration risk, and susceptibility to volatility in raw material prices.

**About the Company**

Incorporated in 2018, CMYTPL is engaged in the business of manufacturing of yarn such as viscose, cotton, tensil and yarns of different counts. The company is promoted by Mr. K. Subramani and Mr. S. Sakthivel and is based out of Tamil Nadu.

**Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Chendhoor Murughan Yarn Tex India Private Limited for arriving at the rating.

### **Key Rating Drivers**

#### **Strengths**

### **Extensive industry experience of the promoters:**

The promoters have an experience of over 3 decades in textile- spinning industry which gives them an understanding of the dynamics of the market and enables them to establish relationships with suppliers and customers. Additionally the promoter K. Subramani, has previous experience in operating a company - Mothi Spinners Private Limited - which operates in same line of business. CMYTPL is a demerged unit of Mothi Spinners Private Limited (rated Acuite BBB+/Stable/A2), the demerger was a strategic initiative which occurred in FY2021. Acuite believes that the Company is expected to benefit over the medium term from the experience of the promoters.

### **Increasing scale of operations and margins**

The company has generated revenues of Rs.291.56 Cr. in FY2024 which has been increasing compared to FY2023 (Rs192.38 Cr.) and FY2022 (Rs. 147.55 Cr.). The operating margins have increased to 14.51% in FY2024 as compared to 13.69% in FY2023 (14.78% in FY2022). Margins reduced in FY2023, as major markets like Europe and USA had reduced demand for the products and this impacted the order book with regards to export orders. Also, China had dumped viscose yarn in India due to import ban in USA from China post covid, affecting the margins of CMYTPL as viscose yarn was in excess supply in India. The net profit margins reduced to 0.29% in FY2024 as compared to 1.23% in FY2023 due to high depreciation on account of fixed assets and construction costs for windmills. Higher interest costs were due to new term loans (for capex) added to the debt profile along with increase in working capital borrowings. Acuite believes that the Company's scale of operations is expected to improve over the medium term backed by increasing exposure in premium segment viscose yarn/ fabric and improvement in profitability due to cost efficiencies on power cost. The same will remain a key monitorable.

### **Efficient working capital management**

The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 107 days for FY2024 as compared to 130 days for FY2023 due to reduction in advance to suppliers and rebate from Grasim shown in other current assets. The inventory days of the company stood at 71 days in FY2024 as compared to 86 days in FY2023, due to increase in sales and higher inventory turnover. Debtor cycle is usually between 20-25 days. The debtor days stood at 28 days in FY2024 against 25 days in FY2023. Days payable outstanding stood at 22 days in FY2024 against 18 days in FY2023, due to improved terms with suppliers.

## **Weaknesses**

### **Exposure to supplier concentration risk**

The company is exposed to supplier concentration risk as the major supplier is Grasim Industries Limited part of Aditya Birla Group. The entities in the textile manmade segment have limited price negotiation capability with their supplier due to its high dependence on them. However, since all the major viscose yarn manufacturers are dependent on Grasim Industries Limited for their raw materials, the latter is also dependent on the manufacturers for their sales. As a result, CMYTPL is partially able to mitigate the price fluctuation of the raw materials by way of strong relationship with their suppliers.

### **Susceptibility to volatility in raw material prices**

The Company depends on domestic VSF producers like Grasim and imports for their raw material requirements. The profitability is susceptible to changes in the prices of these raw material i.e. viscose staple fibre (VSF), any adverse price movement are likely to impact the operating margins of viscose fibre yarn(VFY) manufacturers. In the past, the industry had faced competition from imports of VFY from countries like China which had impacted the margins of players.

### **Moderate financial profile**

CMYTPL's financial risk profile is marked by moderate capital structure and debt protection metrics. The company's net worth is estimated at Rs. 65.74 crore as on March 31, 2024. The gearing of the company stood modest at 2.52 times as on 31 March 31, 2024, having risen from 2.11times in FY2023 due to an increase in borrowings. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.79 times as on March 31, 2024, as compared to 2.32 times as on March 31, 2023. The debt protection metrics of the company remains moderate marked by Interest coverage ratio (ICR) of 2.73 times (PY 3.01x) while debt service coverage ratio (DSCR) was at 1.24 times (PY 1.69x) for FY2024. The net cash accruals to total debt (NCA/TD) stood low at 0.16 times in FY2024(PY 0.13x). Acuite believes that the financial risk profile of the Company is expected to improve slightly owing to improvement in accretion to reserves.

## **Rating Sensitivities**

- Movement in scale of operations and of operating margins
- Improvement in capital structure and debt protection metrics
- Working capital cycle

## **Liquidity Position**

### **Adequate**

The company has adequate liquidity marked by adequate net cash accruals of Rs. 26.42 Cr. as on March 31, 2024 as against Rs 18.40 Cr. long term debt obligations over the same period. The current ratio of the group stood low at 0.88 times in FY2024, due to increase in working capital debt. The cash and bank balance stood at Rs.1.86 Cr. for FY2024. The bank limit utilisation (consolidated) stood at ~90 percent in FY2024. Further, the working capital management of the group is moderate marked by Gross Current Assets (GCA) of 107 days for FY2024 as compared to 130 days for FY2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments, albeit high dependence on working capital borrowing leading over the medium term.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	291.56	192.38
PAT	Rs. Cr.	0.85	2.37
PAT Margin	(%)	0.29	1.23
Total Debt/Tangible Net Worth	Times	2.52	2.11
PBDIT/Interest	Times	2.73	3.01

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

Crisil, vide its press release dated November 19th, 2024 had denoted the rating of Chendhoor Murughan Yarn Tex India Private Limited as Crisil BB+/Stable 'Downgraded and Issuer not co-operating'.

### 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>

### 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	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB   Stable   Assigned
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	25 Nov 2026	0.61	Simple	ACUITE BBB   Stable   Assigned
Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A2   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.98	Simple	ACUITE BBB   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.49	Simple	ACUITE BBB   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Sep 2025	2.14	Simple	ACUITE BBB   Stable   Assigned
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2031	23.35	Simple	ACUITE BBB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	7.37	Simple	ACUITE BBB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	7.05	Simple	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2030	48.23	Simple	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2027	8.16	Simple	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	1.62	Simple	ACUITE BBB   Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

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