



Press Release
BALKRISHNA TEXTILE PRIVATE LIMITED
February 06, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	33.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	58.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of 'ACUITE BBB-' (read as ACUITE Triple B minus) on the Rs. 25.00 Cr. bank facilities and short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 33.00 Cr. bank facilities of Balkrishna Textile Private Limited (BTPL). The outlook is 'Stable'.

Rationale for rating

The rating factors in the experienced management and long track record of operations of the company in Textile industry. It also factors in the moderation in business risk profile of the group marked by moderation in scale of operations albeit improvement in profitability margins. The rating also factors in the average financial risk profile and the adequate liquidity position. However, the rating is constrained due to intensive working capital nature of the operations, vulnerability of profitability to volatility in raw material prices and susceptibility to cyclical nature and competitive nature of the industry.

About the Company

Incorporated in 1979, Gujrat based Balkrishna Textile Private Limited (BTPL) is engaged in processing of Textile fabrics. BTPL undertakes grey fabric processing, which includes designing, bleaching, dyeing, printing and finishing, both for own manufacturing and on job work basis. BTPL operates across two units: Unit I focuses on synthetic fabrics, mainly for women's garments, while Unit II handles cotton fabric processing for men's and kids' wear. Both the units together, are having the capacity of processing (approx.) 600 lacs Mtrs Per Annum as on date. The directors of the company are Mr. Nitin Chandulal Thakkar, Mr. Ketan Chandulal Thakkar, Mr. Rohan K Thakkar and Mr. Adit Nitinkumar Thakkar.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Balkrishna Textile Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The company is having a long operational track record, thus the promoters, i.e. Thakkar family are having an experience of over four decades in the textile industry, which helped building strong and lasting relationships with both suppliers and customers. This long-standing experience has enabled them to ensure a steady and reliable supply of raw materials, while also earning the trust of their clients. As a result, BTPL enjoys a consistent flow of repeat orders, reflecting the company's reputation in the market. Acuité believes that BTPL will continue to benefit from its experienced management and long track record of operations.

Moderation in scale of operations albeit improving profitability margins

The company's operating income has moderated and stood at Rs.254.81 Cr. in FY24 as compared to Rs.281.22 Cr. in FY23. The moderation is attributed to volatility in raw material prices and subdued demand levels, both in the domestic and export markets. However, the company has booked revenue of Rs. 188.98 Cr. in 8MFY25 and expects to achieve revenue of ~Rs. 280.00 Cr. in FY25. The absolute EBITDA of the company has been consistently growing and stood at Rs.17.13 Cr. in FY24 as compared to Rs. 14.61 Cr. in FY23, further, the company has reported EBITDA of Rs.17.72 Cr. in 8MFY25. The operating margin for FY24 has improved and stood at 6.72 per cent as compared to 5.20 per cent in FY23. Further, the company has reported significant improvement in EBITDA margin that stood at 9.38 per cent in 9MFY25. The Profit After Tax (PAT) margin also recorded improvement, standing at 1.22 per cent in FY24, as compared to 0.50 per cent in FY23. Going forward, the company's ability to improve its scale of operations while maintaining its profitability levels will be a key rating monitorable.

Weaknesses

Average financial risk profile

The financial risk profile of the company stood Average, marked by moderate net worth, above unity gearing and average debt protection metrics. The net worth of the company improved and stood at Rs. 44.45 Cr. as on March 31, 2024 as compared to Rs 41.75 Cr. March 31, 2023 due to accretion of reserves. The company's total debt, comprising Rs. 39.67 Cr. of long-term debt, Rs. 39.39 Cr. of short-term debt, Rs. 11.83 Cr. of unsecured loans from promoters and directors and Rs. 7.99 Cr. of CPLTD amounted to Rs. 98.88 Cr. as of March 31, 2024. The gearing of the company stood at 2.22 times in FY24 as compared to 2.19 times in FY23. Further, debt protection metrics stood moderate with Interest coverage ratio (ICR) stood at 2.33 times in FY24 as against 2.55 times in FY23. The debt service coverage ratio (DSCR) of the company stood at 1.15 times in FY24 as compared to 1.17 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.10 times in FY24 as compared to 0.09 times in the previous year. Going ahead, Acuite expects the financial risk profile to improve on account of gradual repayment of term loans, absence of any major debt funded capex in the near term and increased accruals generation.

Working Capital intensive nature of operations

The operations of the company are working capital intensive in nature marked by high GCA of 192 days for FY24 compared to 161 days in FY23. The GCA days are high on account of increase in other current assets (i.e. claims receivable and advance on materials). Receivable days stood at 69 days for FY24 compared against 65 days for FY23. The inventory levels of the company stood at 57 days in FY24 compared against 58 days in FY23. The creditor days of the company stood at 68 days in FY24 as against 78 days in FY23. Furthermore, the average fund-based utilisation by the company stood at ~89.61 per cent for the six months ended December 2024. Acuite believes that working capital operations of the company will continue to remain in similar range over medium term considering the nature of business.

Susceptibility to volatility in raw material prices and presence in fragmented industry

Cotton prices have exhibited considerable volatility in the recent past due to various reasons, such as government policies, effects of monsoon, demand supply scenario, etc. The synthetic fibre industry is also highly susceptible to fluctuations in raw material prices, as it depends heavily on petrochemicals like crude oil for the production of polyester and nylon. Profitability margins of textile manufacturers are exposed to adverse movement in cotton prices and synthetic fibre thus any unprecedented increase in the raw material going forward, may impact the profitability margins of the company.

Rating Sensitivities

- Improvement in scale of operation while maintaining profitability margins
- Changes in financial risk profile
- Deterioration in working capital cycle

Liquidity Position

Adequate

The liquidity position of the company remained adequate on account of net cash accruals against matured debt obligations. The net cash accruals of the company stood at Rs. 10.12 Cr. in FY24 and Rs. 8.18 Cr. in FY23 against matured debt obligations of Rs.7.86 Cr. and Rs. 6.13 Cr. respectively for the same period. The average fund-based utilisation by the company stood at ~89.61 per cent for the six months ended December 2024. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accruals against matured debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	254.81	281.22
PAT	Rs. Cr.	3.11	1.39
PAT Margin	(%)	1.22	0.50
Total Debt/Tangible Net Worth	Times	2.22	2.19
PBDIT/Interest	Times	2.33	2.55

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

Care, vide its press release dated August 13th, 2024 had denoted the rating of Balkrishna Textile Private Limited as Care BB/ Stable/ A4 , Reaffirmed and Issuer not co-operating.

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. Acuité'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	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Maharashtra	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A3 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2027	25.00	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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