



## Press Release

**Sri Bhagirath Textiles Limited (SBTL)**

**January 05, 2024**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term fund based facility – Term Loan	183.69	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Long term fund based facility – Cash Credit	75.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Long term fund based facility – Working Capital Demand Loan	25.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short term non-fund based limit – Bank Guarantee	12.00	IVR A2 (IVR A Two)	Assigned	Simple
Proposed Long term fund based facility – Cash Credit	8.20	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>303.89</b> <b>(Rupees Three Hundred and Three crore and Eighty Nine lakhs only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Sri Bhagirath Textiles Limited (SBTL) factors in long track record of operations, experienced management, Expected reversal of declining revenue trend in FY24 & beyond, Moderate working capital management. These strengths are partially offset by Moderate capital structure, highly fragmented, competitive, and cyclical nature of industry, Inherent volatility associated with raw material prices and its impact on profitability and Foreign exchange fluctuation risk.

### Key Rating Sensitivities:



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### Upward Factors

- Substantial & sustained growth in scale of operations with improvement in profitability leading to improvement in the debt protection metrics & capital structure

### Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics & capital structure.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced management with established track record of operations**

Sri Bhagirath Textiles Limited (SBTL) is a flagship company of Shri Bhagirath Rander Group. The company was incorporated in the year 1996 by Mr. Ramesh Rander. The company is engaged in manufacturing of cotton yarn, viscose yarn, blended yarn, fabrics and also into trading of cotton bales. Mr. Ramesh Bhagirath, Managing Director of SBTL who holds more than three decades of experience in textile industry. SBTL has developed healthy relation with its customers which facilitate in securing repeated orders from them. The company sells and trades around 92% of yarn to its customers located domestically and remaining through exports in FY23. However, the revenue is diversified with the top ten customers contributing around 53% in FY23 and 50% in FY22 of total sales.

##### **Significant debt funded capex with eligibility for subsidy schemes under mega project**

The company has expanded its spinning unit and knitting unit with project cost of about Rs. 203.73 crore of which Rs. 141.88 crore is funded through term loans and remaining through internal accruals and promoter's fund. The capex plan was completed in August, 2023 and commenced its commercial operations with installed capacity of 31000 spindles and 44 knitting machines. The capex of Rs. 203.00 crore is the mega project for the company with spinning of 84% and knitting of 16%. For the said project, the company is eligible for various subsidy schemes. One of these include capital subsidy of Rs.36.00 Cr for spinning unit and Rs.16.80 Cr for knitting unit will be received in three instalments by FY28. Further, SBTL is eligible for electricity duty exemption of Rs.1.1 per unit for the recently done capex till FY28. SBTL is also eligible for subsidy of 100% SGST for 7 years in its spinning and knitting sales of the recently done capex.



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### **Expected reversal of declining trend in FY24 & beyond**

In FY20, the decline in total income is due to covid disruptions. In FY21, the trading revenue of cotton and viscose bales increased due to pent up demand following the covid relaxations which saw an unusual high demand from domestic and international markets. In FY22, the company focused more into manufacturing of yarn, where it generated ~79% from manufacturing segment, which resulted in optimum utilisation of their existing capacity. This led to decrease in top line but improved their operating margins. Later, on account of Russian Invasion of Ukraine coupled with global recessionary pressures, led to decline in the global demand, which impacted in FY23 performance. The company generated revenues Rs.481.21 Cr in FY23 as against Rs.562.74 Cr in FY22 and Rs.676.77 Cr in FY21. Due to incremental capacity and entering into the fabric sales division be an extra value-added process, could benefit SBTL by improvement in top line and margins. SBTL achieved revenue of ~Rs.380.00 Cr till November 2023. The company has completed capex in Aug-2023, since then the company's performance seen a positive traction.

### **Moderate working capital management**

The cotton industry is marked by high inventory holding levels. Cotton is generally procured during the season beginning from October to March to sustain the raw material requirement for upcoming 5-6 months until the start of the next season. Average inventory period stood at 56 days as on March 31, 2023. The operating cycle stood comfortable at 60 days. The company procures raw materials (cotton) from the areas of Maharashtra and Andhra Pradesh stocks it for about 90-100 days. The debtor days stood at 31 days and 36 days as on March 31, 2023 and 2022 respectively. The creditor days stood at 26 days and 23 days as on March 31, 2023 and 2022 respectively.

### **Key Rating Weaknesses**

**Moderate financial risk profile**



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The company's capital structure stood moderate including debt protection metrics. The networth of the company stood at Rs.171.37 Cr, Rs.143.60 Cr and Rs.120.52 Cr as on March 31, 2023, 2022 and 2021 respectively. This included unsecured loans treated as quasi equity to the extent of Rs.65.42 Cr, Rs.64.35 Cr and Rs.54.65 Cr respectively for the same period. Overall gearing stood at 1.38x and 0.96x as of March 31, 2023 and 2022 respectively. Interest coverage ratio stood at 2.91x as on March 31, 2023 and 2022. Total Debt/GCA also deteriorated to 11.20x as on March 31, 2023 from 5.34x as on March 31, 2022. Gearing and coverage metrics deteriorated due to the increase in debt portion towards the capex incurred and decline in EBITDA in absolute terms due to decline in top line. Moreover, due to incremental capacity and entering into the fabric sales division be an extra value-added process, could benefit SBTL by improvement in top line and margins leading to improvement in capital structure and debt protection metrics from FY25.

### **Inherent volatility associated with raw material prices and its impact on profitability**

The company's profitability is susceptible to the movement in the prices of raw cotton which is the key raw material for production of cotton yarn. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses for the industry players.

### **Highly fragmented, competitive, and cyclical nature of industry**

The Indian textile industry consists of large, organized players who contribute to 75 per cent of total installed capacity and the remaining 25 per cent is contributed by unorganized segment. SBTL is a relatively medium player in this space, thereby lacking the benefits of economies of scale. The intense competition in the highly fragmented textile industry also restricts its ability to completely pass on volatility in input cost to its customers. The company is in the textile industry pre-dominantly dependent on cotton.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Criteria of assigning Rating Outlook



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[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity: Adequate**

Liquidity is adequate marked with sufficient accruals to repay its term debt obligations. The company generated GCA of Rs.21.19 Cr in FY23 as against the repayment obligation of Rs.19.35 Cr for the same period. The company is expected to generate cash accruals of Rs.36.91 Cr for FY24 as against the repayment of Rs.26.51 Cr for the same period. The company's working capital limits average utilisation stood at 85-90% for past twelve months ended September 2023. Current ratio stood at 1.24 times as on March 31, 2023, as against 1.54 times as on March 31, 2022. Cash and cash equivalents of the company stood at Rs.3.12 Cr as on March 31, 2023, as against Rs.0.42 Cr as on March 31, 2022.

### **About the company**

Sri Bhagirath Textiles Limited (SBTL) is a flagship company of Shri Bhagirath Rander Group. The company was incorporated in the year 1996 by Mr. Ramesh Rander. The company is engaged in trading of cotton bales and also into manufacturing of cotton yarn, viscose yarn, blended yarn in the count range 12s to 60s. The product portfolio includes cotton ring spun yarns, ring spun yarns, specialty yarns, blended yarns, open end yarns and two-ply yarns. The company has four manufacturing units located in Nagpur (Maharashtra) with installed manufacturing capacity of 106000 spindles. SBTL ventured into knitting with installed capacity of 44 knitting machines.

### **Financials:**

(Rs. crore)

For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	562.74	481.21
EBITDA	39.82	28.85



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For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
PAT	13.31	7.75
Total Debt	138.07	237.28
Tangible Net worth	143.60	171.37
<b>Ratios</b>		
EBITDA Margin (%)	7.08	6.00
PAT Margin (%)	2.36	1.60
Overall Gearing Ratio (x)	0.96	1.38

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long term fund based facility – Term Loan	Long Term	183.69	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	-	-	-
2.	Long term fund based facility – Cash Credit	Long Term	75.00	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	-	-	-
3.	Long term fund based facility – Working Capital Demand Loan	Long Term	25.00	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	-	-	-



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4.	Short term non-fund based limit – Bank Guarantee	Short Term	12.00	IVR A2 (IVR A Two)	-	-	-
5.	Proposed Long term fund based facility – Cash Credit	Long Term	8.20	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities -

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	December 2030	183.69	IVR BBB+/ Stable
Cash Credit	-	-	-	75.00	IVR BBB+/ Stable
Working Capital Demand Loan	-	-	-	25.00	IVR BBB+/ Stable
Bank Guarantee	-	-	-	12.00	IVR A2
Proposed Cash Credit	-	-	-	8.20	IVR BBB+/ Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Bhagirath-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable





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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).