



## Press Release

### Chokshi Texlen Private Limited

**August 27, 2024**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	57.14 (reduced from 60.29)	IVR BBB-/ Negative (IVR triple B minus with Negative outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating reaffirmed and assigned, and outlook revised to 'Negative' from 'Stable'	Simple
<b>Total</b>	<b>57.14 (Fifty seven crore and fourteen lakh only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The rating assigned to the bank facilities of Chokshi Texlen Pvt. Ltd. (CTPL) considers the common management team and operational & financial linkages between CTPL and its group companies, Kuber Texlen Pvt. Ltd. (KTPL) and Sruti Filatex Pvt. Ltd (SFPL). Infomerics has taken a combined view of these entities referred together as Chokshi group.

Infomerics has reaffirmed the long-term rating assigned to the existing bank facilities and assigned ratings to the enhanced bank facilities of Chokshi Texlen Private Limited (CTPL) on the back of strengths derived from the experience promoters, moderate capital structure and debt protection metrics. However, the rating is constrained on account of decline in profit witnessed during FY2023 (refers to period from April 1, 2022 to March 31, 2023), FY2024 (prov) (refers to period from April 1, 2023 to March 31, 2024) and Q1FY25 (prov), highly fragmented industry marked by intense competition, working capital intensive nature of business and susceptibility of profit to fluctuations in key raw material prices.



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The revision in the long-term rating outlook from Stable to Negative considers the decline in profit witnessed during the past two fiscals and in Q1FY25 (prov) and the inability of the company to meet its projections in the past. Infomerics expects a gradual increase in demand in textile industry which will aid its topline and profits, and improve its overall financial risk profile, which will be a key monitorable going forward.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure and debt protection metrics.
- Effective working capital management with improvement in operating cycle and liquidity.

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators.
- Deterioration in the capital structure with increase in overall gearing ratio and deterioration in debt protection metrics.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Extensive experience of promoters in textile industry**

The Mittal family, promoters of the company have been in the textile business for almost 20 years. Extensive business experience of the promoters has enabled the establishment of healthy relationship with suppliers and dealers, which helps in smooth functioning of business.

- **Moderate capital structure and debt protection parameters**

The net worth of the group was Rs. 59.26 crore as on March 31, 2024, compared with Rs. 54.82 crore as on March 31, 2023. Total debt was Rs. 141.93 crore as on March 31, 2024, as compared with Rs.139.25 crore due to increase in bank borrowings. The overall gearing ratio improved to 2.40x as on March 31, 2024 (Prov) from 2.54x as on March 31, 2023, due to



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increase in total debt which increased due to increase in bank borrowing. Further, total indebtedness of the group as depicted by TOL/TNW improved to 2.71x as on March 31, 2024 (Prov), from 3.06x as on March 31, 2023. The interest coverage ratio of 1.53x in FY24 (prov) (2.27x in FY23), due to decline in EBITDA and Total debt/NCA deteriorated to 8.73 years in FY24 (prov) (8.48 years as on March 31, 2023). DSCR was 1.03 times in FY24 (prov) compared with 1.28 times in FY23.

### Key Rating Weaknesses

- **Moderation in financial performance in FY23 and FY24 (prov) and Q1FY25 (prov)**

Chokshi Group witnessed a 1.39% year-over year decline in TOI in FY24 (prov) to Rs. 282.98 crore due to decline in realisations. Also the growth in FY23 was a mere 0.46% in TOI to Rs. 286.96 crore due to decline in realisation price coupled with softening of demand. Further in Q1FY25 (prov) TOI has declined by ~5% y-o-y to Rs. 82.71 crore. Led by a decline in topline, EBITDA and PAT has declined in FY23 as well as FY24 and further in Q1FY25. EBITDA was 9.32 crore in FY24 (prov) compared with Rs. 18.63 crore in FY23 and Rs. 20.08 crore in FY22 (refers to period from April 1, 2021 to March 31, 2022). Also PAT was Rs. 1.40 crore in FY24 (prov), compared with Rs. 1.59 crore in FY23 and Rs. 6.52 crore in FY22. In Q1FY25 EBITDA and PAT were Rs. 7.52 crore and Rs. 0.41 crore down ~28% and ~53%, respectively. Infomerics notes that a revival in topline and profit will be a key rating factor going forward.

- **Highly fragmented industry marked by intense competition**

The spinning industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the group's pricing flexibility and bargaining power.

- **Working capital intensive nature of business**

Operations are working capital intensive, as indicated by operating cycle of 84 days which elongated from 76 days in FY23, due to decline in creditors payment period to 19 days in FY24 (prov) compared with 25 days in FY23. Absence of high credit from its suppliers led to higher reliance on bank funding. As a result, cash credit limit was utilised at 97% on average over the 12 months through July 2024

- **Profitability susceptible to fluctuations in key raw material prices**



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The key raw material for texturised yarn produced by the company are partially oriented yarn and plastic chips. Vulnerability of profitability to fluctuations in raw material prices and foreign exchange fluctuations. The company's primary raw materials includes Polyester Partially Oriented Yarn (POY), prices of which have demonstrated a high degree of volatility owing to its direct linkages with crude oil prices. Any adverse fluctuation in the raw material prices affects the sales realizations of the finished products. KIPL's operating profitability also gets impacted in case it is not able to adequately pass on the price increase to its customers due to competitive pricing pressures.

### **Analytical Approach:** Combined

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Chokshi Texlen Pvt. Ltd., Kuber Texlen Pvt. Ltd. and Sruti Filatex Pvt. Ltd. This is because these companies, collectively referred to as the Chokshi group, are under control of same promoters, have business and financial linkages and have extended inter-corporate guarantees. The list of Companies is given in Annexure 4

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria of assigning rating outlook](#)

[Policy on Default Recognition](#)

[Consolidation of companies](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The group's liquidity remains adequate marked by expected cash accruals in FY2025 to FY2027, which is sufficient to meet annual repayment obligations in that period. The bank limit utilization on overall CC limit, remain high at an average of ~97% over the 12 months ended July 2024. However, no major debt funded capital expenditure plans gives some support to the liquidity position.



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### About the company

Chokshi Texlen Pvt. Ltd. was incorporated in 1990 and is engaged in the business of spinning and texturizing of Polyester Yarn 30/1, Fancy Yarn, Nylon Yarn etc. and other specialty yarns. The company has one spinning machine and 11 texturizing machine. The capacity of its spinning machine is 1500 tonnes per month while that of its texturizing machine is 200 tonnes per month.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	225.22	186.11
EBITDA	18.63	9.32
PAT	1.59	1.40
Total Debt	70.14	77.41
Tangible Net Worth	35.28	36.69
EBITDA Margin (%)	8.27	5.01
PAT Margin (%)	0.70	0.72
Overall Gearing Ratio (x)	2.05	2.15
Interest Coverage (x)	2.76	1.36

\* 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 Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 July 31, 2023	Date(s) & Rating(s) assigned in 2022-23 June 14, 2022	Date(s) & Rating(s) assigned in 2021-22 June 9, 2021
1.	Term Loans	Long Term	32.01	IVR BBB-/ Negative	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Positive
2.	Car Loan	Long Term	0.13	IVR BBB-/ Negative	-	-	-
3.	Cash Credit	Long Term	25.00	IVR BBB-/ Negative	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Positive





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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.

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.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	FY26	2.86	IVR BBB-/ Negative
Term Loan 2	-	-	-	FY25	5.83	IVR BBB-/ Negative
Term Loan 3	-	-	-	FY30	13.92	IVR BBB-/ Negative
Term Loan 4	-	-	-	FY32	5.40	IVR BBB-/ Negative
Car Loan	-	-	-	FY29	0.13	IVR BBB-/ Negative
GECL 1	-	-	-	FY24	0.92	IVR BBB-/ Negative
GECL 2	-	-	-	FY26	3.08	IVR BBB-/ Negative
Cash Credit	-	-	-	-	25.00	IVR BBB-/ Negative

Annexure 2: Facility wise lender details: [len-chokshitexlen-aug24.pdf](http://len-chokshitexlen-aug24.pdf) ([infomerics.com](http://infomerics.com))

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: **Not Applicable**

Name of the Security	Detailed Explanation
<b>Financial Covenant</b>	
i.	
ii.	
<b>Non-financial Covenant</b>	
i.	
ii.	

Annexure 4: List of companies considered for Combined analysis:

Name of the company	Consolidation Approach
Chokshi Texlen Pvt. Ltd.	Full consolidation
Kuber Texlen Pvt. Ltd.	Full consolidation
Sruti Filatex Pvt. Ltd.	Full consolidation

**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)



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