



Press Release

Kuber Texlen Pvt. Ltd.

June 14, 2022

Ratings

| Instrument / Facility | Amount (Rs. crore) | Ratings | Rating Action | <u>Complexity Indicator</u> |
|-----------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|------------------------------------|
| Long Term Bank Facilities -Term Loan | 16.84 (enhanced from Rs. 5.45 crore) | IVR BBB-/ Stable (IVR Triple B minus with Stable outlook) | Revised from BB+/ Positive (IVR double B plus with Positive outlook) | Simple |
| Long term Bank Facilities – Cash Credit | 11.75 | IVR BBB-/ Stable (IVR Triple B minus with Stable outlook) | Revised from BB+/ Positive (IVR double B plus with Positive outlook) | Simple |
| Short Term Bank Facilities | 0.25 | IVR A3 (IVR A three) | IVR A4+ (IVR A four plus) | Simple |
| Total | 28.84 (INR Twenty eight crore and eighty four lakhs only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kuber Texlen Pvt. Ltd. (KTPL) consider the common management team and operational & financial linkages between CTPL and its group concerns, Kuber Texlen Pvt. Ltd. (KTPL) and Sruti Filatex Pvt. Ltd (SFPL). Infomerics has taken a consolidated view of these entities referred together as Chokshi group. The revision in the ratings assigned to the bank facilities of Chokshi Texlen Pvt. Ltd. (CTPL) considers improvement in its financial performance in FY2022 (Prov) in comparison to the previous year. The rating also derives strength from experienced promoter, moderate capital structure, favorable debt protection metrics and locational advantages. The rating strength is, however, constrained by the company's presence in a highly fragmented industry which exposes it to intense competition, its working capital intensive nature of operations and the susceptibility of its profitability to fluctuation in raw material prices.

Key Rating Sensitivities:

Upward Factors



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- Sustained growth in sale of operation with improvement in profitability metrics.
- Improvement in the capital structure and coverage indicators
- Effective working capital management with improvement in operating cycle and improvement in liquidity

Downward Factors

- Decline in operating income and/or profitability impacting the cash accrual on a sustained basis with moderation in debt protection metrics
- Withdrawal of subordinated unsecured loans amounting to Rs.17.06 crore and/or deterioration in the capital structure
- Elongation in the operating cycle, impacting the liquidity of the business

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter**

The operations of the Chokshi group are managed by Mr Niranjan Agarwal, and his sons, Mr Nikhil Agarwal and Mr Piyush Agarwal, all of them are having a good experience in the textile industry. Further long presence of the promoters in the industry has helped the group in establishing comfortable relationship with its suppliers and customers.

- **Improvement in financial performance in FY2022 (provisional)**

The financial performance of the group improved in FY22 (Prov) after declining in FY21 due to covid led disruption. TOI grew ~49% in FY22 with easing of covid-19 related restrictions and revival in demand. Consequently, in FY22 (Prov) EBITDA and PAT increased y-o-y by 25% and 74%, respectively. The gross cash accruals of the group also improved to Rs. 20.24 crore in FY22 (Prov) from Rs.15.77 crore in FY21.

- **Moderate capital structure and favorable debt protection metrics**

The group's adjusted net worth as on March 31, 2022 (Prov.) consist of subordinated unsecured loans aggregating to Rs.17.06 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the group stood at



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Rs.71.59 crore as on March 31, 2022 (Prov) compared with Rs. 58.47 crore as on March 31, 2021. Also, the overall gearing ratio has improved to 1.42x as on March 31, 2022 (Prov) from 1.53 x as on March 31, 2021 driven by accretion of profit to net worth and scheduled repayment of term debts. Further, total indebtedness of the group also remained moderate at 1.71x as on March 31, 2022. The debt protection metrics of the group also improved as indicated by interest coverage ratio at 2.82x as on March 31, 2022 (Prov) (2.43x as on March 31, 2021) and Total debt/GCA stood at 5.03 years as on March 31, 2022 (Prov) (5.69 years as on March 31, 2021). Infomerics expects improvement in its capital structure and debt protection metrics in the near term.

- **Locational advantage**

The group derives locational advantage due to its presence in Surat, which is one of the major textile hubs of India. The group is engaged in manufacture of synthetic yarn. Surat contributes nearly 90% of the country's total polyester production. The city's infrastructure, adaptability to quick changes to latest trend coupled with strong entrepreneurial skills of the industrialists in the region, bodes well for the group.

Key Rating Weaknesses

- **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 operations**

The operations of the group are working capital intensive, as indicated by gross current assets of 131.45 days as on March 31, 2022 compared with 168.45 days as on March 31, 2021, driven by receivables and inventory of 47 days (PY:69 days) and 52 days (PY: 63 days), respectively. Though the working capital cycle has moderated when compared to previous year, it still remains on the higher side. Absence of high credit from its suppliers



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leads to higher reliance on bank funding. As a result, the average cash credit limit utilisation was at ~88% over the 12 months ended March 2022.

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

The key raw material for texturised yarn produced by the company are partially oriented yarn and plastic chips. The prices for both the inputs have risen in the past two years thereby weighing on margins. Moreover, the price of chips and POY are derivative of crude oil prices. We thus believe fluctuation in raw materials prices will continue to induce volatility to margins.

Analytical Approach: Consolidated

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 2

Applicable Criteria:

[Rating Methodology for Manufacturing companies](#)

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

Liquidity – Adequate

The liquidity profile of the group is expected to remain adequate with its gross cash accruals meeting the repayment obligations. However, the current ratio remained low at 1.26x in FY22 (Prov). The average cash credit utilisation of the group also stood moderate at ~88% during the past 12 months ended March 2022.

About the Group

The Chokshi Group comprising Chokshi Texlen Pvt Ltd (CTPL), Kuber Texlen Private Limited (KTPL) & Sruti Filatex Pvt Ltd (SFPL) is engaged in the business of manufacturing of



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Texturised yarn, Polyester Yarn 30/1, Fancy Yarn, Nylon Yarn etc. and other specialty yarns. The Chokshi group is promoted by one Agarwal family. The promoters are having two decades of experience and is providing an array of products and services to textile and apparel industries. The promoters are enriched with experience in the line of textile industry. They have established wise market relationship for in local market. The group is in the textile field since more than two decades with brand name “Chokshi”. The group is considered leading group in Surat with a large manufacturing capacity of Texturised yarn.

About the company:

Kuber Texlen Pvt. Ltd. incorporated in 2010 is engaged in the business of manufacturing of Texturised yarn, Polyester Yarn 30/1, Fancy Yarn, Nylon Yarn etc. and other specialty yarns. The company has 15 texturising machines and the capacity is 550 tonnes per month.

Financials (Consolidated):

(Rs. crore)

| For the year ended* / As on | 31-March-21 (Audited) | 31-March-22 (Provisional) |
|-----------------------------|--------------------------|------------------------------|
| Total Operating Income | 184.38 | 275.22 |
| EBITDA | 27.33 | 34.14 |
| PAT | 3.58 | 6.26 |
| Total Debt | 89.69 | 101.69 |
| Tangible Net-worth | 58.47 | 71.59 |
| EBITDA Margin (%) | 14.82 | 12.40 |
| PAT Margin (%) | 1.93 | 2.27 |
| Overall Gearing Ratio (x) | 1.53 | 1.42 |

Financials (Standalone):

(Rs. crore)

| For the year ended* / As on | 31-March-21 (Audited) | 31-March-22 (Provisional) |
|-----------------------------|--------------------------|------------------------------|
| Total Operating Income | 63.67 | 70.70 |
| EBITDA | 5.29 | 4.88 |
| PAT | 0.19 | 0.22 |
| Total Debt | 19.69 | 28.18 |
| Tangible Net-worth | 11.31 | 11.53 |



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|---------------------------|------|------|
| EBITDA Margin (%) | 8.31 | 6.90 |
| PAT Margin (%) | 0.30 | 0.31 |
| Overall Gearing Ratio (x) | 1.74 | 2.44 |

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 2022-23) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|--------------------------------|--------------------------------|-------------------|---------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 June 9, 2021 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 1. | Term Loan | Long Term | 16.84 | IVR BBB- / Stable | IVR BB+ / Positive | - | - |
| 2. | Cash Credit | Long Term | 11.75 | IVR BBB- / Stable | IVR BB+ / Positive | - | - |
| 3. | Bank Guarantee | Short Term | 0.25 | IVR A3 | IVR A4+ | - | - |

Name and Contact Details of the Rating Analyst:

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|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength 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: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Term Loan 1 | - | - | FY26 | 2.73 | IVR BBB-/ Stable |
| Term Loan 2 | - | - | FY30 | 9.70 | IVR BBB-/ Stable |
| AWCTL under BCECL 1 | - | - | FY25 | 2.52 | IVR BBB-/ Stable |
| AWCTL under BGECL 2 | - | - | FY27 | 1.76 | IVR BBB-/ Stable |
| BCECL | - | - | FY23 | 0.13 | IVR BBB-/ Stable |
| Cash Credit | - | - | - | 11.75 | IVR BBB-/ Stable |
| Bank Guarantee | - | - | - | 0.25 | IVR A3 |

Annexure 2: List of companies considered for consolidated analysis:

| Name of the company | Consolidation Approach |
|--------------------------|------------------------|
| Chokshi Texlen Pvt. Ltd. | Full consolidation |



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|-------------------------|--------------------|
| Kuber Texlen Pvt. Ltd. | Full consolidation |
| Sruti Filatex Pvt. Ltd. | Full consolidation |

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-kuber-texlen-june22.pdf>

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

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.

