



## Press Release

### Kuber Texlen Private Limited

July 31, 2023

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	25.42 (reduced from Rs. 28.59 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facility	0.25	IVR A3 (IVR A three)	Reaffirmed	Simple
<b>Total</b>	<b>25.67</b> <b>(INR twenty five crore and sixty seven lakh only)</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

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

The reaffirmation of the ratings assigned to the bank facilities of Kuber Texlen Pvt. Ltd. (KTPL) considers growth in the topline and profit during FY2022 and FY2023 (provisional). The rating also derives strength from experienced promoter and locational advantages. The rating strength is, however, constrained by moderate capital structure and coverage indicators, 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:



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### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics

### Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Stretch in working capital cycle impacting the liquidity
- Withdrawal of subordinated unsecured loans leading to a deterioration in capital structure.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Growth in the topline and profit

The topline and profitability of the company has improved consistently in the past few years which continued in FY23 (provisional). The company's total operating income (TOI) increased to Rs. 287.01 crore in FY2023 (provisional) from Rs. 184.38 crore in FY2021 depicting an increase of ~56%. Consequently, the EBDITA also increased to Rs. 29.11 crore in FY2023 (provisional) from Rs. 27.33 crore in FY2021. Infomerics expects that a recovery in raw material prices will aid topline growth which will lead to an increase in profit.

##### Experienced promoters

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.

##### 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.



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### Key Rating Weaknesses

#### **Moderate capital structure and coverage indicators**

The adjusted net worth of the group comprises subordinated unsecured loans aggregating to Rs.14.13 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the group stood at Rs. 73.35 crore as on March 31, 2023 (provisional) compared with Rs.69.77 crore as on March 31, 2022. The overall gearing ratio moderated to 1.73x as on March 31, 2023 (provisional) from 1.47x as on March 31, 2022, due to increase in total debt which increased due to increase in bank borrowing and term loan which was taken to fund the solar power project. Further, total indebtedness of the group as depicted by TOL/TNW moderated to 2.06x as on March 31, 2023 (Prov), from 1.84x as on March 31, 2022. The debt protection metrics of the group was adequate with interest coverage ratio of 2.32x as on March 31, 2023 (provisional) (2.93x as on March 31, 2022) and Total debt/GCA deteriorated to 7.92 years as on March 31, 2023 (provisional) (5.57 years as on March 31, 2022). DSCR was 1.28 times in FY23 (prov) compared with 1.22 times in FY22.

#### **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 estimated gross current assets of 134.51 days as on March 31, 2023 (provisional), driven by receivables and inventory of 49 days and 53 days, respectively (45 and 50 days, of receivables and inventory, respectively in FY22) 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 June 2023.

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

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



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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:** 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 \(Non-Financial Sector\)](#)

[Criteria for assigning Rating outlook](#)

[Consolidation of companies](#)

### **Liquidity - Adequate**

The company's liquidity remains adequate marked by expected cash accruals in FY2024 to FY2026, 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 June 2023. However, no major debt funded capital expenditure plans gives some support to the liquidity position.

### **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 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



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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	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	285.65	287.01
EBITDA	30.44	29.11
PAT	7.19	3.58
Total Debt	61.00	126.64
Tangible Net worth	55.46	59.04
Adjusted Tangible Net worth	69.77	73.35
EBITDA Margin (%)	10.65	10.14
PAT Margin (%)	2.51	1.24
Overall Gearing Ratio (x)	2.11	2.39
Adjusted Overall Gearing Ratio (x)	1.47	1.73

\*As per Infomerics' Standards

### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	73.66	70.88
EBITDA	4.18	4.70
PAT	0.24	0.23



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For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
Total Debt	26.63	30.35
Tangible Net worth	9.71	9.94
Adjusted Tangible Net worth	11.54	11.77
EBITDA Margin (%)	5.68	6.63
PAT Margin (%)	0.32	0.32
Overall Gearing Ratio (x)	2.93	3.24
Adjusted Overall Gearing Ratio (x)	2.31	2.58

\*As per Infomerics' Standards

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

**Any other information:** Nil

**Rating History for last three years with Infomerics:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 June 14, 2022	Date(s) & Rating(s) assigned in 2021-22 June 9, 2021	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	13.67	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB+/Stable	-
2.	Cash Credit	Long Term	11.75	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB+/Stable	-
3.	Bank Guarantee	Short Term	0.25	IVR A3	IVR A3	IVR A4+	

**Name and Contact Details of the Rating Analyst:**

Name: Ms. Sapna Bagaria Tel: (033) 46022266 Email: <a href="mailto:sapna.bagaria@infomerics.com">sapna.bagaria@infomerics.com</a>	Name: Mr. Sandeep Khaitan Tel: (033) 46022266 Email: <a href="mailto:sandeep.khaitan@infomerics.com">sandeep.khaitan@infomerics.com</a>
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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





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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 visit [www.infomerics.com](http://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 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	-	-	FY24	1.60	IVR BBB-/ Stable
Term Loan 2	-	-	FY29	8.90	IVR BBB-/ Stable
GECL 1	-	-	FY24	1.41	IVR BBB-/ Stable
GECL 2	-	-	FY26	1.76	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-KTPL-jul23.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](http://www.infomerics.com)

