

Sutlej Textiles and Industries Limited (Revised)

July 04, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE A; Stable / CARE A1 (Single A; Outlook: Stable / A One) and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE A; Stable (Single A; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1 (A One) and Withdrawn
Total Bank Facilities	-		
Commercial Paper [^]	-	-	Reaffirmed at CARE A1 (A One) and Withdrawn
Total Short Term Instruments	-		

[^]Carved out of the sanctioned working capital limits of the company
Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE A; Stable/CARE A1' [Single A; Outlook: Stable/ A One] assigned to the bank facilities and instruments of Sutlej Textiles & Industries Ltd with immediate effect. The above action has been taken at the request of STIL. and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management in Textile industry

Sutlej Textiles and Industries Limited (STIL) was part of the erstwhile K.K. Birla Group which was incorporated in 1932. In 2011 after the family division it came under Ms. Nandini Nopany faction. Mr. C.S. Nopany, grandson of late K.K. Birla and son of Ms. Nandini Nopany is the Chairman of company. STIL is led by a team of experienced professionals led by Mr. Updeep Singh (President & CEO) having more than 25 years' experience in Textile industry.

Moderate capital structure and debt coverage metrics

STIL's financial risk profile is characterised by moderate capital structure and debt coverage ratios. Debt coverage indicators such as total debt to GCA improved to 2.99 times as on March 31, 2022 from 9.47x as on March 31, 2021 on account of better cash accruals despite marginal increase in working capital utilization. Similarly, interest coverage ratio improved to 8.32 times in FY22 as against 2.89x in FY21. Overall gearing continues to remain moderate at 0.86 times as on March 31, 2022 as against 0.97 times as on March 31, 2021 on account of accretion of profits to net-worth in FY22.

Diversified customer base

STIL has a diversified large customer base with no single customer accounting for over 10% of gross sales. Its top ten customers contributed ~22% to FY21 gross sales (PY: ~17%). STIL sells its products both domestically as well as exports it across the globe and its customers are geographically diversified. During FY22, on a standalone basis STIL's share of exports improved to ~44% (PY: ~36%).

Improved operating performance in FY22

STIL reported improvement in total income by 59.25% to Rs.3,112 crore in FY22 as against Rs.1,954 crore in FY21 on account of higher volumes due to pent-up demand. During FY22, STIL's PBILDT margins have improved to 13.31% from 7.11% in FY21. During FY22 the yarn division's profitability has also improved to 11.39% from 3.87% in FY21 driven by higher volumes, better realizations and better product mix.

Key Rating Weaknesses

Home textile division continues to incur losses In FY22

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

STIL's home textile division which contributes around 5% to the overall turnover continues to impact the company's overall profitability on account of lower turnover and high fixed costs. The division posted a loss of Rs. 33.48 crore in FY22 as against a loss of Rs. 33.84 crore in FY21.

Cyclical and fragmented industry

STIL operates in a cyclical and fragmented textile yarn industry marked by organised as well as unorganised players. Intense competition in the industry limits the pricing abilities of the players in the industry. However, the risk is partly mitigated as STIL is among a few exclusive spinners in India for specialty yarns such as modal, lycra, tencel and other value-added yarns in the country apart from being one of the prominent manufacturers of dyed cotton blended/mélange yarn in the country.

Raw material volatility

Major raw materials used by STIL include cotton, polyester, viscose, etc. STIL procures raw material such as cotton fibre, polyester staple fibre (PSF) and viscose staple fibre (VSF). Cotton prices are volatile in nature driven by various factors like, area under cultivation, yield for the year, government regulation and pricing, etc. On the other hand, polyester being a derivative of crude oil is continuously affected by the movement in crude oil prices. STIL's raw material cost as a percentage of revenue was ~52% in FY22 (PY: ~59%). Any adverse movement in the raw material prices may put pressure on STIL's profitability margins, in case the rise in price cannot be recovered entirely through higher realizations.

Susceptible to volatility in forex rates

During FY22, STIL on a standalone basis exported goods worth Rs.1338 crore (~44% of sales). STIL being a net exporter is susceptible to the volatility in forex rates. Although, STIL hedges almost entire export at the time of booking the order, the ability of the company to successfully manage its foreign exchange exposure remains key monitorable.

Liquidity: Adequate

Liquidity of the company remains adequate marked by gross cash accruals of Rs.315.12 crore in FY22. Against this, the company has scheduled repayments of Rs.130.35 crore in FY23. The company also has cash & cash equivalents of Rs.2.32 crore as on March 31, 2022. The Company has average utilization of 63% and average maximum utilization of 65% in the last 12 months ending February 2022. The company also has additional headroom available in the form of undrawn working capital lines.

Analytical approach:

For arriving at the ratings, CARE has considered the consolidated financials of STIL owing to financial and operational linkages with the subsidiary and common management.

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'Outlook' or 'Credit Watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Policy on Default Recognition](#)

[Rating Methodology – Manufacturing Companies](#)

[Rating Methodology for Manmade Yarn Manufacturing](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

[Financial ratios - Non Financial Sector](#)

[Liquidity analysis of Non-Financial Sector entities](#)

[Rating Methodology: Consolidation](#)

About the Company

Sutlej Textiles and Industries Limited (STIL) was incorporated in 2005 out of a corporate restructuring exercise in which the textile divisions of Sutlej Industries Ltd and Damanganga Processors Ltd were demerged to create a single cohesive company. STIL was part of the erstwhile K. K. Birla Group and after the family division it came under Ms. Nandini Nopany. The company is currently managed by Mr. C.S. Nopany (Chairman), grandson of late K.K. Birla and son of Ms. Nandini Nopany. STIL is amongst India's leading producers of dyed spun yarn and value added/specialty yarn. It also manufactures fabrics and home textiles. As on March 31, 2022; STIL's spinning capacity was 420,384 spindles, Home Textile Capacity was at 9.6 million meters p.a. and it also has 120 MT per day manufacturing capacity of raw white and black recycle fibre. Further the company has announced Greenfield project of 89,184 spindles of cotton mélange yarn and PC grey yarn along with dye house whose estimated project cost is Rs.914 crore which would be funded with a mix of internal accruals and debt and will be implemented by around Q4FY25. Its manufacturing facilities are located in Bhawanimandi (Rajasthan), Kathua (Jammu & Kashmir), Daheli (Gujarat) and Baddi (Himachal Pradesh). Further, during FY2017-18, STIL has Invested USD 4.5 Million (Rs.30.64 crore) in Wholly Owned Subsidiary in USA. STIL Acquired Design, Sales, and Distribution (DS&D) business along with brand of American Silk Mills LLC (ASM) based at Plains, Pennsylvania.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (A)
Total operating income	2431.31	1954.30	3112.20
PBILDT	184.75	138.95	414.33
PAT	27.70	-3.66	150.23
Overall gearing (times)	0.93	0.97	0.86
Interest coverage (times)	4.04	2.89	8.32

A: Audited

Status of non-cooperation with previous CRA: Not Applicable**Any other information:** Not Applicable**Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:** Not Applicable**Disclosure of Interest of Managing Director & CEO:** Not Applicable**Rating History for last three years:** Please refer Annexure-2**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3**Complexity level of various instruments rated for this company:** Annexure-4**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	-	0.00	Withdrawn
Commercial Paper-Commercial Paper (Standalone)	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A; Stable (07-Sep-21)	1)CARE A; Stable (31-Dec-20)	1)CARE A+; Stable (03-Jan-20)
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ST*	-	-	-	1)CARE A; Stable / CARE A1 (07-Sep-21)	1)CARE A; Stable / CARE A1 (31-Dec-20)	1)CARE A+; Stable / CARE A1+ (03-Jan-20)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A1 (07-Sep-21)	1)CARE A1 (31-Dec-20)	1)CARE A1+ (03-Jan-20)
4	Fund-based - LT/ ST-CC/Packing Credit	LT/ST*	-	-	-	1)CARE A; Stable / CARE A1 (07-Sep-21)	1)CARE A; Stable / CARE A1 (31-Dec-20)	1)CARE A+; Stable / CARE A1+ (03-Jan-20)
5	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)CARE A1 (07-Sep-21)	1)CARE A1 (31-Dec-20)	1)CARE A1+ (03-Jan-20)

*Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not available

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-CC/Packing Credit	Simple
4	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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