

Shiva Texyarn Limited

September 04, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	96.88 (Reduced from 105.60)	CARE BBB; Negative	Reaffirmed
Long-term / short-term bank facilities	70.00	CARE BBB; Negative / CARE A3+	Reaffirmed
Short-term bank facilities	40.00	CARE A3+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Shiva Texyarn Limited (STL) continue to factor in the promoters' vast experience in the textile industry, its long track record of operations, comfortable capital structure, long-standing customer relationships with diversified client and product profile, and benefits derived from captive consumption of power. However, ratings are constrained by moderate debt coverage indicators, moderate profitability in FY24 (refers to period of April 01 to March 31) despite improved in Q1FY25 (refers to period of April 01 to June 30) and profit margins exposed to raw material price volatility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to scale up operations over ₹500 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 12% on a sustained basis.
- Improving liquidity position with current ratio between 1.3x and 1.5x.

Negative factors

- Large debt-funded capex leading to moderating capital structure with gearing ratio above 1.5x.
- Deteriorating profitability or cash losses due to volatile raw material prices on sustained basis.

Analytical approach: Standalone

Outlook: Negative

The outlook is negative as the performance of the company's spinning segment is expected to be moderate in the near term due to the subdued demand for the yarn. The outlook may be revised to 'Stable' if the company is able to increase capacity utilisation and ramp-up sales and improve profitability.

Detailed description of key rating drivers

Key strengths

Vast experience of promoters in the textile industry

STL, formerly known as Annamallai Finance Limited, was established in 1980. S.V Alagappan, the Chairman and promoter of the company, is a qualified law graduate with more than four decades of experience in the textile industry. S.K Sundararaman, the Managing Director of the company, also has over two decades of experience in the textile industry.

Established track record of operations

Having commenced commercial production of yarn in 1989 as a relatively small-sized player with an installed capacity of 24,681 spindles, STL has grown into a medium-sized player with 52,416 spindles as on March 31, 2024. STL also has garments unit with 120 sewing machines, processing unit and technical textiles division which focuses on Lamination and Coating technology. The company is also engaged in export of yarn, coated fabric, and garments.

Diversified product profile and customer base

The company has diversified product profile with presence in spinning and technical textile (TTD) products. In FY24, spinning contributed to 59% (PY: 67%) of total income, while the balance is contributed by the TTD including garments, canvas and lamination, and waste sales. In Q4FY24, the company received orders worth ₹163.75 from Ministry of Defence for supply of NBC suits and ECWCS suits. The company also has a diversified and reputed customer base with top 10 customers accounting for only 22.67% (PY: 27.09%) of the total sales in FY24.

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

Comfortable capital structure

STL's capital structure stood comfortable with overall gearing of 0.86x (PY:0.81x) as on March 31, 2024. The promoters have infused unsecured loans of ₹8.0 crore in FY24. In Q1FY25, STL availed working capital term loan of ₹10 crore at relatively lower interest cost primarily for funding the working capital requirement for defense orders. The capital structure is expected to remain comfortable with no debt-funded capex planned.

Key weaknesses

Moderate profitability in FY24, though improved in Q1FY25

The operating income in FY24 decreased to ₹335.42 crore from ₹411.17 crore in FY23 owing to decline in capacity utilisation of spinning division on the back of industry-wide slowdown. The PBILDT margin remained moderate at 2.79% (PY: 2.36%) in FY24 with higher overheads amidst lower production. However, in Q1FY25, the company switched to producing finer count yarns resulting in better sales realisation, which together with reduced raw material costs resulted in improved PBILDT margin of 13.05% on total income of ₹60.86 crore.

Moderate debt coverage metrics

The company reported cash losses of ₹5.62 crore in FY24 as against cash profit of ₹8.45 crore in FY23. The company also sold assets of seamless fabric manufacturing for ₹8.6 crore in FY24. The repayment obligations were met through unsecured loans and proceeds from asset sale.

Exposure to raw material price volatility

The profitability of spinning mills depends largely on the cotton and cotton yarn prices, which are governed by factors such as area under cultivation, monsoon, international demand-supply situation, among others. Cotton being the major raw material of spinning mills, movement in cotton prices without parallel movement in yarn prices impact the profitability of spinning mills. The company majorly buys S-6 cotton from Gujarat. The cotton textile industry is inherently prone to cotton and yarn price volatility.

Liquidity: Adequate

Liquidity is adequate supported by better collection of receivables and demonstrated funding support from promoters through infusion of unsecured loans. The cash balance stood moderate at ₹1.69 crore as on March 31, 2024. The working capital cycle stood comfortable at 63 days (PY: 66 days) with efficient collection period of 30 days in FY24. The company has sanctioned working capital limits of ₹124 crore and the average utilisation stood at 84.71% for the past 12 months ended July 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cotton Textile](#)

About company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Textiles	Textiles & apparels	Other textile products

Incorporated in 1980 as 'Annamalai Finance Private Ltd' (AFL), STL was converted into a Public Limited Company in 1985. STL is primarily engaged in manufacturing and marketing yarn and technical textiles. As on March 31, 2024, STL has an aggregate spinning capacity of 52,416 spindles situated in Tirupur, wind mills of 13.195 MW, garments unit with 120 sewing machines, processing and technical textiles division, which focuses on Lamination and Coating technology.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	411.17	335.42	60.86
PBILDT	9.69	9.35	7.94
PAT	-6.62	-11.15	1.27
Overall gearing (times)	0.81	0.86	NA
Interest coverage (times)	0.70	0.82	3.18

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long term		-	-	-	54.00	CARE BBB; Negative
Fund-based-Short term		-	-	-	10.00	CARE A3+
Fund-based/Non-fund-based-LT/ST		-	-	-	70.00	CARE BBB; Negative / CARE A3+
Non-fund-based-Short term		-	-	-	30.00	CARE A3+
Term loan-Long term		-	-	June 2028	42.88	CARE BBB; Negative

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term loan-Long term	LT	42.88	CARE BBB; Negative	-	1)CARE BBB; Negative (21-Aug-23)	1)CARE BBB; Stable (14-Sep-22)	1)CARE BBB; Stable (04-Oct-21)
2	Fund-based-Short term	ST	10.00	CARE A3+	-	1)CARE A3+ (21-Aug-23)	1)CARE A3+ (14-Sep-22)	1)CARE A3+ (04-Oct-21)
3	Fund-based-Long term	LT	54.00	CARE BBB; Negative	-	1)CARE BBB; Negative (21-Aug-23)	1)CARE BBB; Stable (14-Sep-22)	1)CARE BBB; Stable (04-Oct-21)
4	Non-fund-based-Short term	ST	30.00	CARE A3+	-	1)CARE A3+ (21-Aug-23)	1)CARE A3+ (14-Sep-22)	1)CARE A3+ (04-Oct-21)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	70.00	CARE BBB; Negative / CARE A3+	-	1)CARE BBB; Negative / CARE A3+ (21-Aug-23)	1)CARE BBB; Stable / CARE A3+ (14-Sep-22)	1)CARE BBB; Stable / CARE A3+ (04-Oct-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long term	Simple
2	Fund-based-Short term	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based-Short term	Simple
5	Term loan-Long term	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings 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 clarifications.

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