Shiv S. Balvantrai Rotliwala

October 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	45.00	CARE BBB-; Stable / CARE A3	Reaffirmed; Outlook revised from Positive

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Shiv S. Balvantrai Rotliwala (SSBR) continue to derive strength from long-standing experience of its partners in the textile industry, the firm's established marketing and distribution network and its presence in the textile cluster of Gujarat. Ratings also favourably consider the firm's moderate leverage and debt coverage indicators and adequate liquidity, though with sizeable working capital requirements.

However, ratings continue to remain constrained considering its limited scale of operations, which deteriorated further and dip in profitability in FY24 (Audited; period refers from April 01 to March 31). Ratings also remained constrained due to working capital intensive operations, the company's presence in the fragmented and competitive textile industry, profitability susceptible to raw material price fluctuation especially from high inventory holding and foreign exchange rate fluctuation risk. Ratings also continue to remain constrained due to partnership constitution of SSBR, which restricts its financial flexibility, with sizeable capital withdrawal by partners in the last few years.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growing total operating income (TOI) to ₹200 crore and above and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 12%.
- Generating positive cashflow from operations and augmentation of net worth base resulting in reduced reliance on external working capital borrowings

Negative factors

- Declining TOI below ₹100 crore on a sustained basis.
- Declining PBILDT margin below 9% on sustained basis.
- Deteriorating overall gearing beyond 0.75x on a sustained basis.
- Elongating operating cycle to above 360 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) has revised the outlook to Stable from Positive as there is lower-than-envisaged growth in SSBR's revenue, reduction in profitability and deterioration in liquidity profile. Stable outlook reflects promoters experience in textile industry and firms established marketing and distribution network.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful partners

SSBR's partners have been associated with textile value chain for over three decades through its earlier association with M/s Balvantrai Lallubhai Rotliwala (BLR), which was engaged in manufacturing and trading grey fabric. SSBR's partners are also engaged in other sister concerns, Shivram Dyeing and Printing Mill (engaged in dyeing and printing work on job work basis), and Vivansh Digital Tex (engaged in digital printing on job work basis). The partners' vast industry experience in the textile value chain benefits SSBR in terms of raw material procurement, ease of managing day-to-day operations and marketing finished goods.

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

Established marketing and distribution network and presence in textile cluster
Being present in the industry since 1982, partners have established a network of over 100 agents across India. The firm's presence in Surat (Gujarat), textile manufacturing cluster, benefits it in terms of easy access to customers and suppliers, low transportation cost, easy availability of raw materials and skilled/unskilled labour.

Moderate leverage and debt coverage indicators
SSBR's financial risk profile is marked by moderate leverage and debt coverage indicators. Overall gearing of firm stood at 0.56x as on March 31, 2024 (PY: 0.54x). Debt coverage indicators marked by interest coverage and total debt to gross cash accrual (TD/GCA) deteriorated and remained at 3.3x (PY: 6.10x) and 5.01 years (PY: 2.43 years) in FY24 respectively owing to lower operating profits and lower cash accruals due to decline in scale of operations and higher finance charges.

Key weaknesses

Decline in scale of operations and moderate profitability
SSBR's TOI declined by ~24% on a y-o-y basis and stood moderate at ₹135.92 crore (PY: ₹178.47 crore), driven by decline in sales volume by ~17% and sales realisation in FY24 against previous year. Till September 29, 2024, SSBR registered sales of ~₹68 crore. The scale was limited in H1FY25 due to slowdown in demand amidst macroeconomic headwinds, however, for full year FY25, TOI is expected to remain stable in line with FY24. SSBR's profitability margins declined marginally in FY24 marked by PBILDT margin of 10.41% (PY: 12.49%) led by higher power and fuel cost and profit after taxes (PAT) margin of 6.84% (PY: 10.01%) owing to higher finance charges. The firm's GCA stood at ₹9.96 crore (PY: ₹18.72 crore) owing to lower top line and decline in profitability. For full year FY25, profit margins are expected to remain range bound due to restricted sales realisation considering liquidation of high inventory levels built up in FY24.

Working capital intensive operations
SSBR's operations remained working capital intensive considering higher operating cycle, which stood at 323 days in FY24 (FY23: 234 days) owing to higher built up of inventories as on year end. In the current year, inventories moderated, however, further increase in operating cycle remains a key rating monitorable.

Partnership nature of constitution with sizeable capital withdrawal in last few years
SSBR is exposed to inherent risk of partners' capital being withdrawn at time of personal contingency, and the firm being dissolved on the death/retirement/insolvency of partners. In the past, partners have been withdrawing capital from business for infusing funds in another business ventures of the family. In FY24, partners have withdrawn capital of ~₹4 crore (PY: ~₹16 crore), however was restricted to the firm's profits. This withdrawal of capital limits the firm's financial flexibility and results in higher reliance on external working capital debt. Augmentation of net worth base shall remain crucial from a credit perspective.

Operating profitability margin susceptible to fluctuations in raw material prices and foreign exchange rates
SSBR has limited presence in the textile value chain as it is engaged in weaving and trading fabric only. SSBR's key raw material, synthetic yarn, is derivative of crude oil; hence, prices of its raw material vary with fluctuation in international crude oil prices, and therefore, operating profitability remains exposed to adverse fluctuations in raw material prices, especially due to high inventory holding. Moreover, SSBR import ~50% of the total yarn requirement of Bamberg & Viscose from China and Japan and in the absence of active foreign exchange hedging policy, its profitability remains vulnerable to fluctuations in foreign exchange rates.

Presence in highly fragmented and competitive textile industry with inherent cyclicality and associated regulatory risks
The Indian textile industry is highly fragmented with presence of large number of organised and unorganised players. Due to fragmented nature of the fabric industry, bargaining power of fabric manufacturers with raw material suppliers and customers are restricted, which is also reflected in low profit margins across the industry. Textile is a cyclical industry and closely follows macroeconomic business cycles.

Liquidity: Adequate

SSBR's liquidity position remained adequate marked by comfortable liquidity ratios and sufficient cash accruals against repayment obligations. Current ratio remains comfortable at 2.39x as on March 31, 2024 (PY: 2.51x). Repayments are low in the range of ₹1.2-2.6 crore in projected period and expected to be met from GCA of ~₹10-15 crore. SSBR's working capital requirement remains high as the firm extends a high credit period of 80-90 days to its customers to push its products in competitive market. SSBR keeps inventory to serve its customer in a time-bound manner. These together result in high working capital requirements and elongated operating cycle. Average utilisation of working limits for six months ended September 2024 remained at ~80%. SSBR's ability to efficiently manage its inventory requirements, exercise good control over its debtors and retention of accruals generated from business operations shall remain crucial for its liquidity profile.

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]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles & apparels	Other textile products

SSBR is a Surat-based (Gujarat) partnership firm incorporated by Satishchandra Balvantrai Rotliwala and his son Shiv Satishchandra Rotliwala in 2014 post partition of erstwhile firm M/s Balvantrai Lallubhai Rotliwala (BLR). SSBR is engaged in manufacturing grey clothes such as georgette, chiffon and crepe. As on March 31, 2024, SSBR had installed capacity of around 300 lakh metre per annum (LMPA) manufacturing of grey clothes.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	178.47	135.92
PBILDT	22.29	14.14
PAT	17.87	9.29
Overall gearing (times)	0.54	0.56
Interest coverage (times)	6.10	3.30

A: Audited; 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

Detailed explanation of covenants of rated instrument / facility: 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 and Rating Outlook
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	45.00	CARE BBB-; Stable / CARE A3

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	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	45.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Positive / CARE A3 (29-Sep-23)	1)CARE BBB-; Positive / CARE A3 (23-Nov-22)	1)CARE BBB-; Stable / CARE A3 (28-Jan-22)

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	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-5: Lender details

To 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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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