

Sangeeth Textiles Private Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	47.39 (Reduced from 48.46)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sangeeth Textiles Private Limited (STPL) continue to be constrained by moderate scale of operations, moderate capital structure and debt coverage indicators, elongated operating cycle, highly fragmented, competitive and cyclical nature of industry and inherent volatility associated with raw material prices and its impact on profitability. The rating however derives strength from experienced promoters with long track record of operations, established relationship with reputed customers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to scale up operations with income above ₹150 crore on sustained basis while maintaining PBILDT level of more than 12% on sustained basis.
- Improve capital structure with gearing below unity.

Negative factors

- Any large-sized debt-funded capital expenditure leading to moderation of the capital structure with overall gearing above 3x.
- Elongation in operating cycle to above 180 days leading to stretched liquidity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the company is expected to sustain its operational performances and continues to derive benefits from long experience of the promoters and established relationship with the customers.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations

The scale of operation of STPL stood relatively moderate at Rs.103.34 crore in FY24 (refers to the period of April 01 to March 31) albeit improved from Rs.77.62 crore in FY23 with major contribution from trading of yarn. The PBILDT margin decreased to 9.23% in FY24 from 11.24% in FY23 owing increased fixed overheads and low margin trading. The company has booked income of Rs.37.15 crore in 5m FY25 (refers to period of April 01 to August 31).

Moderate capital structure and debt protection metrics

The capital structure stood moderate with overall gearing of 1.66x as on March 31, 2024 (PY: 1.54x). The company has given intercorporate loan to the tune of Rs.2.84 crore (7% of Total Tangible Networth) (PY: Rs.3.09 crore) to one of its group company for working capital purposes. The adjusted overall gearing stood at 1.79x (PY: 1.64x) as on March 31, 2024. The debt protection metric also stood moderate with total debt to gross cash accruals of 20.43x as on March 31, 2024.

Highly fragmented, competitive and cyclical nature of industry

The Indian textile industry consists of large, organized players who contribute to 75 per cent of total installed capacity and the remaining 25 per cent is contributed by unorganized segment. STPL is a relatively small player in this space, thereby lacking the benefits of economies of scale. The intense competition in highly fragmented textile industry also restricts its ability to completely pass on volatility in input cost to its customers. The company is in the textile industry pre-dominantly dependent on cotton.

Inherent volatility associated with raw material prices and its impact on profitability

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

The company's profitability is susceptible to the movement in the prices of raw cotton which is the key raw material for production of cotton yarn. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. The average cotton purchase price of STPL has decreased from Rs. 233.5 per kg in FY23 to Rs.172.2 per kg in FY24. The PBILDT margin of the company is volatile in the range of 9% to 11% over the past three years ended FY24.

Elongated operating cycle

The operating cycle of STPL stood moderate at 141 days in FY24 as against 147 days in FY23 due to stretched receivables and slow-moving inventory. The collection period stretched to 130 days in FY24 (PY: 137 days) as the company had provided extended credit amidst slowdown in industry. The inventory period also stretched at 178 days albeit decreased from 216 days in FY23. The higher collection period was managed with the extension credit from the suppliers during the year.

Key strengths

Experienced promoter and long track record of operations

STPL is a closely held company with the entire share capital held by the promoter family. Mr E. R. Elango, promoter and Managing director of STPL, has nearly two decades of experience in the textile industry. He is qualified professional with an engineering degree in textile stream and has done post-graduation in business administration in United Kingdom. The day to day affairs of the company are looked after by Mr Elango and he is supported by experienced professionals.

Established relationship with reputed customers

The long-standing presence of nearly four decades has helped the company to establish a firm relationship with suppliers and customers. The top five customers contributed 39% (PY: 54%) of total sales in FY24.

Liquidity: Stretched

Liquidity is stretched marked by tightly expected cash accruals against the repayment obligation in FY25. The free cash balance stood negligible at Rs.0.06 crore as on March 31, 2024. The operating cycle in FY24 has stretched to 141 days (PY: 147 days). Due to the stretched receivables, the average utilization of working capital limits of Rs.39 crore stood high at 95% for past 12 months ended August 2024. The current ratio stood moderate at 1.21x as on as on March 31, 2024 (PY: 1.16x).

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](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Sangeeth Textiles Private Limited (STPL) is part of the Coimbatore based Sangeeth group. The group's founder Mr E. N.Ramasamy (late) entered into spinning industry by incorporating STPL in 1981. After the demise of the founder in 2006, his son Mr. E. R. Elango was appointed as managing director. STPL is engaged in manufacturing 100% compact yarn with an installed capacity of 33,790 spindles as of March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	5mFY25 (UA)
Total operating income	77.62	103.34	37.15
PBILDT	8.72	9.54	NA
PAT	(0.30)	0.18	NA
Overall gearing (times)	1.54	1.66	NA
Interest coverage (times)	1.62	1.53	NA

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

Status of non-cooperation with previous CRA: India Ratings has conducted the review on the basis of best available information and has classified DI as 'Not cooperating' vide its press release dated March 14, 2024. The reasons provided by India Ratings are non-furnishing of information for monitoring of rating.

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
Fund-based - LT-Cash Credit		-	-	-	39.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	October, 2025	8.39	CARE BB+; Stable

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	Fund-based - LT-Cash Credit	LT	39.00	CARE BB+; Stable	-	1)CARE BB+; Stable (13-Oct-23)	1)CARE BB+; Stable (23-Nov-22)	1)CARE BB+; Stable (03-Mar-22)
2	Fund-based - LT-Term Loan	LT	8.39	CARE BB+; Stable	-	1)CARE BB+; Stable (13-Oct-23)	1)CARE BB+; Stable (23-Nov-22)	1)CARE BB+; Stable (03-Mar-22)

LT: Long 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 - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the 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.

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