

BST Textile Mills Private Limited

February 07, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|----------------------------|------------------|--|---|
| Long Term Bank Facilities | 57.69 | CARE BB; Stable; ISSUER NOT COOPERATING* | Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 1.00 | CARE A4; ISSUER NOT COOPERATING* | Downgraded from CARE A4+ and moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from BST Textile Mills Private Limited (BST) to monitor the rating(s) vide e-mail communications dated November 15, 2024, December 19, 2024, December 26, 2024, December 30, 2024, January 02, 2025, January 07, 2025, January 15, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information. CARE has downgraded the outstanding ratings assigned to bank facilities of BST Textile Mills Private Limited due to continuance of EBITDA and PAT losses booked by the company in FY24 basis the audited annual report. The ratings of BST's bank facilities will now be denoted as CARE BB; Stable; Issuer Not Cooperating/ CARE A4, Issuer Not Cooperating*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the long track record of operations ensuring repetitive orders.

Detailed description of key rating drivers:

At the time of last rating on February 05, 2024, the following were the rating strengths and weaknesses.

Key weaknesses

Significant decline in performance in FY23; low performance expected in near term as well:

The company's TOI (total income from operations) is expected to remain low in FY24 given the continuance of subdued demand from the global market since FY23, in turn caused by inflationary pressures post the Russia-Ukraine war. In addition to this, the operating margin continues to remain impacted by the volatility in the price of its key raw material: cotton. While cotton prices in India had peaked in Q1FY23 to around Rs.260-280/kg level, leading to a squeeze on margins for cotton yarn manufacturers, the prices had subsequently declined steadily to around Rs.160-170/kg level in Nov 2023 which led to inventory losses for the spinners. Additionally, the 11% import duty on raw cotton from 2021 continues to result in higher raw material prices for domestic spinners when compared with prices in international markets. Due to these factors, the operating margin is expected to remain low in FY24 as well.

Amidst the current slowdown, the company has managed to achieve revenue of Rs.169.50 crores as on January 25, 2024 (H1FY24: Rs.104.02 crores; FY23 194.96 crores). The operating margin is weak at 0.47% in H1FY24 (FY23: negative at 0.22%). The on-going turmoil in the textile industry has resulted in company booking losses in FY23 at Rs.8.82 crores (FY23: PAT of Rs.3.20 crores).

Deterioration in capital structure and coverage indicators: expected to continue in near term:

Due to low profitability, the interest coverage of the company is expected to remain weak in near term. Moreover, low gross cash accrual is expected to impact the net worth of the company further affecting the capital structure. The interest coverage as per H1FY24 stood below unity at 0.22x (FY23: negative 0.11; FY22: 2.47x) due to marginal EBITDA profit at Rs.0.47 crores. As per

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

the management, till date the debt obligation was serviced from customer collection and going forward also it will be either funded from customer collection or by fund infusion by promoters in form of unsecured loan. Given the PAT loss and marginal increase in debt, the overall gearing of the company deteriorated to 1.92x as on March 31, 2023 (As on March 31, 2022: 1.33x).

Working Capital intensive nature of operations:

The gross working capital cycle continues to remain elongated considering high level of inventory to be maintained by the company, as raw material being a seasonal crop. The gross working capital cycle has increased to 118 days as on March 31, 2023 (As on March 31, 2022: 95 days) due to high inventory days. The collection period of the company is comfortable as for majority of sales, the company is selling on cash basis.

Continuance of product and geographical concentration risk:

The company continues to be exposed to product concentration risk as product profile comprise of only cotton yarn. Moreover, the company's sales are concentrated in the domestic market, which accounted for ~ 88% of the total sales in FY23. For H1FY24, domestic market contributed to 87% of sales.

Key strengths

Experienced Promoters: The company has long track record of operations of almost two decade and continues to benefit from rich experience of promoter. The key promoter of the company- Mr. Mukesh Tyagi, has more than 30 years of experience in spinning and marketing of yarns. He is assisted by his son, Mr Nikhil Tyagi, who looks after marketing for BST Textile Mills Pvt Ltd. The company along with the promoters is assisted by qualified professionals who look after the day-to-day operations of the company.

Moderate customer concentration risk: The customer concentration risk is moderate with top ten customers of the company contribute around 65% towards total sales as per H1FY24 interim financials, with no individual customer contributing above 25%. However same exposure was 6% in FY23 (FY22: 46%) given the dip in demand in overall market and no bulk orders from individual customer.

Liquidity: Stretched

The liquidity of the company is stretched with average maximum utilisation of the company high at 99% for last twelve months ended November 30, 2023. In addition to this, the cash and bank balance of the company stood thin at Rs. 0.21 crores as on September 30, 2023 (As on March 31, 2023: Rs. 0.22 crores). The gross cash accrual of the company is expected to remain low in FY24 given the low topline and EBITDA. The same was negative Rs.5.64 crores in FY23. The overall debt level of the company is low and hence the debt service obligation also remains low. The principal repayment obligation of the company is Rs.3.72 crores and Rs.5.20 crores in FY24 & FY25, respectively. In event of inadequacy in liquidity, the promoters of the company are expected to infuse funds in the business.

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

Incorporated in September 2005, BST Textile Mills Private Limited (BST) commenced operations in July, 2007 and is headed by Mr. Mukesh Tyagi. He is supported by his wife Ms. Sangita Tyagi and brother Mr. Pawan Tyagi. The company is into cotton

spinning and its factory located at Pantnagar, Uttarakhand & head office is at Mumbai. The company has a total capacity of 26,784 ring spindles and 360 rotors with an annual capacity to produce 12,600 MT of 100% Cotton Yarn in carded and combed variety in the count range of 4s-30s. BST operates in the B2B segment, supplying yarn to manufacturers of denim, terry towel and home furnishing fabrics manufacturers. The yarn is majorly used in the manufacturing of denim, terry towel and home furnishing fabrics.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25(UA) |
|----------------------------|--------------------|--------------------|------------|
| Total operating income | 194.96 | 198.70 | NA |
| PBILDT | -0.42 | -10.90 | NA |
| PAT | -8.82 | -19.15 | NA |
| Overall gearing (times) | 1.92 | 6.46 | NA |
| Interest coverage (times) | -0.11 | -1.86 | NA |

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

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 | | - | - | - | 39.25 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | November 2026 | 18.44 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 1.00 | CARE A4; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

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 | 39.25 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (05-Feb-24) | 1)CARE BBB-; Stable (06-Dec-22) | 1)CARE BBB-; Stable (04-Jan-22) |
| 2 | Non-fund-based - ST-Bank Guarantee | ST | 1.00 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4+ (05-Feb-24) | 1)CARE A3 (06-Dec-22) | 1)CARE A3 (04-Jan-22) |
| 3 | Fund-based - LT-Term Loan | LT | 18.44 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (05-Feb-24) | 1)CARE BBB-; Stable (06-Dec-22) | 1)CARE BBB-; Stable (04-Jan-22) |

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: 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 - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Non-fund-based - ST-Bank Guarantee | 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.

Contact us

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About us:

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