

September 04, 2023

## Laxmi Technical Textile Private Limited: Ratings upgraded, removed from the 'Issuer Not Cooperating' category and withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	9.50	9.50	[ICRA]BBB(Stable); upgraded from [ICRA]BB+(Stable), removed from 'Issuer Not Cooperating' category and withdrawn
Long-term Fund-based – Term Loans	2.47	2.47	[ICRA]BBB(Stable); upgraded from [ICRA]BB+(Stable), removed from 'Issuer Not Cooperating' category and withdrawn
Long-term Non fund-based limits	1.00	1.00	[ICRA]BBB(Stable); upgraded from [ICRA]BB+(Stable), removed from 'Issuer Not Cooperating' category and withdrawn
Long-term/short-term – Unallocated Limits	17.00	17.00	[ICRA]BBB(Stable)/[ICRA]A3+; upgraded from [ICRA]BB+(Stable)/ [ICRA]A4+, removed from 'Issuer Not Cooperating' category and withdrawn
<b>Total</b>	<b>29.97</b>	<b>29.97</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has upgraded the ratings of Laxmi Technical Textile Private Limited (LTTPL) to [ICRA]BBB(Stable)/[ICRA]A3+ and removed the same from the 'Issuer Not Cooperating' category as the company has started cooperating with the agency. The rating action factors in the adequate performance of the company in FY2023 despite headwinds from input cost pressure due to volatility in crude oil prices. LTTPL's revenue jumped by ~32% YoY to Rs. 72.9 crore in FY2023, partly owing to higher average realisations, while maintaining healthy sales volumes. However, its operating profit margin contracted by 210 bps YoY to 4.7% mainly due to contraction in the gross margin. ICRA expects LTTPL's revenue to remain in the range of Rs. 60-70 crore per annum (p.a.), going forward, in the light of no major capex planned by the entity. Its operating profit margin is, however, likely to recover to 7-7.5% p.a. with abatement of input cost pressure. The company is likely to maintain an adequate financial risk profile with a gearing of less than 0.5 times, TD/OPBDITA of less than 1.5 times and DSCR of more than 2.5 times over the medium term, aided by stable operating performance and planned amortisation of debt.

The ratings continue to favourably factor in the extensive experience of LTTPL's promoters in the textile industry along with the company's comfortable capital structure and coverage metrics. The ratings continue to draw comfort from the corporate guarantee (without a defined invocation and payment mechanism) from SVGFPL.

The ratings, however, remain constrained by the company's modest scale of operations along with intense competition in the industry from other organised and unorganised players, which limits its pricing flexibility. The ratings also consider the vulnerability of LTTPL's revenue and margins to volatility in prices of raw materials and finished products, which are derivatives of crude oil.

The Stable outlook on the long-term rating reflects ICRA's opinion that LTTPL will continue to maintain adequate coverage metrics over the coming quarters, supported by steady accruals and minimal capex requirements.

ICRA has withdrawn the ratings assigned to the Rs. 29.97 crore bank facilities of LTTPL, at the request from the company and based on the No Objection Certificate received from its banker, in accordance with ICRA's policy on withdrawal of credit ratings.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters in the textile industry** – LTTP's promoters have a long experience spanning over three decades in the textile industry in India. The company is a part of the larger Shree Venkateshwara Group (SVG) of Companies having diversified interests across the textile value chain. LTTP's business linkages with SVG are expected to benefit the company's operations.

**Adequate financial risk profile and support from SVG Fashions Private Limited** – LTTP's capital structure has remained adequate over the years, characterised by a reduction in the gearing to below 0.5 times and TD/OPBDITA to below 1.5 times in FY2023, supported by healthy cash accruals and substantial repayment of debt. The company continues to maintain comfortable coverage metrics with an interest cover of 3.7 times and DSCR of 2.1 times in FY2023. ICRA also considers the corporate guarantee (without a defined invocation and payment mechanism) extended to the company by SVG Fashions Private Limited, which benefits its financial profile.

### Credit challenges

**Modest scale of operations** – LTTP's scale of operations remains modest with revenue of ~Rs. 72.9 crore in FY2023 and an installed capacity of ~4,800 MTPA of warp-knitted greige fabric. This is lower than the industry standards and restricts the company from benefitting from economies of scale, while also limiting its operating flexibility.

**Vulnerability of margins to volatility in commodity prices** – The company's major raw materials are derivatives of crude oil. Given the inherent volatility in the prices of crude oil, the company's revenue and profitability remain exposed to adverse price fluctuations.

**Limited pricing flexibility and intense industry competition** – The textile industry in India is characterised by high level of fragmentation and low entry barriers across the value chain. As a result, the company faces intense competition from other industry players. This, coupled with the largely commoditised nature of products with low avenues of product differentiation, limits the company's pricing flexibility.

### Liquidity position: Adequate

LTTP's liquidity remains adequate with its cash flow from operations expected to be sufficient to meet its debt repayment obligations of Rs. 0.6 crore p.a. over three years. The company does not have any major capital expenditure plan. LTTP's average utilisation of sanctioned working capital limits stood below 50% in FY2023, which provides comfort. ICRA also takes comfort from the corporate guarantee extended to LTTP by SVGFPL.

### Rating sensitivities – N.A.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Approach – Implicit Parent or Group Support</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	<p><b>Support Provider:</b> SVG Fashions Private Limited (SVGFPL)</p> <p>The ratings assigned to LTTP factor in the reasonable likelihood of its Group company, SVGFPL [rated [ICRA]A (Stable)/[ICRA]A2+], extending financial support to it because of some operational linkages between them. ICRA expects SVGFPL to be willing to extend financial support to LTTP out of its need to protect its reputation from the consequences of a Group entity's distress.</p>

Analytical Approach	Comments
Consolidation/Standalone	Standalone

## About the company

Laxmi Technical Textile Private Limited (LTTPL) was incorporated as Suchitra Syntex Private Limited in 1994 for trading in warp-knitted greige fabric and greige cotton fabric. The company was taken over by the Shree Venkateshwara Group (SVG) in 1999 and its name was changed to the current one in 2012. LTTPL commenced manufacturing of greige knitted fabric in FY2012 by setting up a manufacturing facility in Silvassa with an installed capacity of 1,404 metric tonnes per annum (MTPA). Over the years, its scale of operations has risen to ~4,800 MTPA with its products finding applications in home furnishings, footwear, lamination, etc. SVG Fashions Private Limited holds a 23.2% stake in the company and has extended a corporate guarantee (without a defined invocation and payment mechanism) for the borrowing of LTTPL.

## Key financial indicators

Laxmi Technical Textile Private Limited	FY2021 (audited)	FY2022 (audited)	FY2023 (provisional)
Operating income	37.2	55.4	72.9
PAT	1.5	1.2	0.5
OPBDIT/OI	11.0%	6.8%	4.7%
PAT/OI	4.0%	2.2%	0.6%
Total outside liabilities/Tangible net worth (times)	0.3	0.5	0.4
Total debt/OPBDIT (times)	1.3	2.6	1.6
Interest coverage (times)	9.7	7.0	3.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. Crore

## Status of non-cooperation with previous CRA: Not applicable

The entity is rated CRISIL B+/Stable/A4 Issuer Not Cooperating by CRISIL Ratings. As per the latest press release dated August 17, 2022, the agency has been continuously following up with Laxmi Technical Textile Private Limited for obtaining information through letters and emails dated May 10, 2022 and July 11, 2022 among others, apart from telephonic communication. However, the issuer has remained non-cooperative.

## Any other information: None

## Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	
					Sep 04, 2023	Mar 23, 2023	Dec 05, 2022	May 06, 2022	-	Mar 05, 2021
1	Cash Credit	Long-term	9.50	-	[ICRA]BBB (Stable); withdrawn	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	[ICRA]A-(CE) (Negative) withdrawn; [ICRA]BBB (Stable) assigned simultaneously	[ICRA]A-(CE) (Negative)	-	[ICRA]A-(CE) (Stable)
2	Term Loans	Long-term	2.47	2.19	[ICRA]BBB (Stable); withdrawn	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	[ICRA]A-(CE) (Negative) withdrawn; [ICRA]BBB (Stable) assigned simultaneously	[ICRA]A-(CE) (Negative)	-	[ICRA]A-(CE) (Stable)
3	Non fund-based limits	Long-term	1.00	-	[ICRA]BBB (Stable); withdrawn	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	[ICRA]A-(CE) (Negative) withdrawn; [ICRA]BBB (Stable) assigned simultaneously	[ICRA]A-(CE) (Negative)	-	[ICRA]A-(CE) (Stable)
4	Unallocated Limits	Long-term/short-term	17.00	-	[ICRA]BBB (Stable)/[ICRA]A3+; withdrawn	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING/[ICRA]A4+ ISSUER NOT COOPERATING	[ICRA]A-(CE) (Negative)/[ICRA]A2+(CE) withdrawn; [ICRA]BBB (Stable)/[ICRA]A3+ assigned simultaneously	[ICRA]A-(CE) (Negative)/[ICRA]A2+(CE)	-	[ICRA]A-(CE) (Stable)/[ICRA]A2+(CE)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long-term Fund-based – Term Loans	Simple
Long-term Non fund-based limits	Very Simple
Long-term/short-term – Unallocated Limits	N.A.

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	N.A.	N.A.	N.A.	9.50	[ICRA]BBB(Stable); withdrawn
NA	Term Loans	FY2022	9-10%	FY2027	2.47	[ICRA]BBB(Stable); withdrawn
NA	Non fund-based limits	N.A.	N.A.	N.A.	1.00	[ICRA]BBB(Stable); withdrawn
NA	Unallocated limits	N.A.	N.A.	N.A.	17.00	[ICRA]BBB(Stable)/[ICRA]A3+; withdrawn

Source: Company

#### Annexure II: List of entities considered for consolidated analysis – N.A.

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