

Press Release

Shri Vasudeva Weaving Mills Private Limited

06 December, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 34.50 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)
Long Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details



Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 34.50 crore bank facility of Shri Vasudeva Weaving Mills Private Limited (Shri Vasudeva). The outlook is '**Stable**'.

Shri Vasudeva Weaving Mills Private Limited (Shri Vasudeva) is a Coimbatore-based company engaged in the weaving of fabrics of count ranging from 60s to 100s (for sheeting fabrics) and 30s to 120s cotton (for shirting and bottom weight fabrics) with installed capacity of 96 lakh meter per annum. The company also trades in cloth and caters to reputed clients in Andhra Pradesh, Tamil Nadu, Gujarat and Delhi. The commercial operations commenced in 2015. Shri Vasudeva procures cotton yarn from Andhra Pradesh and Tamil Nadu. The company has also invested in a windmill of 3.75 MV capacity used primarily for captive consumption (80 percent) with the rest sold to TNEB (Tamil Nadu Electricity Board).

List of key rating drivers and their detailed description

Strengths:

Experienced management

Shri Vasudeva, incorporated in 2012 is engaged in the weaving of fabrics and trading of cloth. The company is led by Mr. E. N. Sivasamy (Promoter), Mr. E. S. Ashok (Director) and Mr. E. S. Sidharth Gowtham (Director). Mr Sivasamy possesses more than four decades of experience in the textile industry while, Mr. Ashok and Mr. Gowtham possess more than a decades experience.

Improvement in revenue

The scale of operations is moderate with operating income of Rs.50.30 crore in FY2016-17 (Provisional) compared to Rs.35.96 crore in FY2015-16. The improvement is on account of increasing demand from existing customers. Further, the company registered revenue of Rs.27.86 crore from April - October 2017 and has unexecuted orders of Rs.7.46 crore as on November 2017.

Healthy profitability

The operating margins improved to a healthy 15.13 percent in FY2016-17 from 14.85 percent in FY2015-16 on account of better cost control in procurement of material. Further, the PAT (profit after tax) margins improved to 1.80 percent in FY2016-17 (Provisional) from 0.44 percent in FY2015-16.

Weaknesses

Moderate financial risk profile

Shri Vasudeva has a moderate financial risk profile marked by low net worth of Rs.12.91 crore as on 31 March, 2017 (Provisional) compared to Rs.10.97 crore as on 31 March, 2016. The Net worth includes unsecured loans from promoters of Rs.7.30 crore as on 31 March, 2017 (PY: Rs.6.27 crore) treated as quasi equity. The gearing stood at 2.59 times as on 31 March, 2017 (Provisional) as against 2.82 times as on 31 March, 2016. The Interest coverage ratio stood at 2.02 times in FY2016-17 (Provisional) as against 2.24 times in FY2015-16. The DSCR (debt service coverage ratio) stood at 1.56 times in FY2016-17 (Provisional) and 2.03 times in FY2015-16.

Working capital intensive operations

The operations are working capital intensive marked by GCA (Gross current asset) of 130 days in FY2016-17 (Provisional) and 162 days in FY2015-16. This is on account of high debtor receivables of 73 days in FY2016-17 (Provisional) and 74 days in FY2015-16. The average cash credit utilisation for six months ended October 2017 stood at 95.78 percent.

Highly competitive and fragmented industry

The company operates in a highly competitive and fragmented textile industry with several organised and unorganised players which may affect profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- ☐ Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- ☐ Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that Shri Vasudeva will maintain a Stable outlook and continue to benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins, significant deterioration in the financial risk profile due to debt funded capital expenditure or elongated working capital cycle.

About the Rated Entity –Key Financials

For FY2016-17 (Provisional), Shri Vasudeva reported PAT of Rs.0.91 crore on an operating income of Rs.50.30 crore as compared to PAT of Rs.0.45 crore on operating income of Rs.35.96 crore in the previous year. The net worth stood at Rs.5.61 crore as on 31 March, 2017 compared to Rs.4.70 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable):

India Ratings revised the ratings of the company to non-cooperating category, with the following rationale on October 17, 2017: India Ratings and Research (Ind-Ra) has migrated Shri Vasudeva Weaving Mills Private Limited's (Vasudeva) Long-Term Issuer Rating to the non-cooperating category. The issuer did not participate in the surveillance exercise, despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using these ratings. The rating will now appear as 'IND B+(ISSUER NOT COOPERATING)' on the agency's website.

Any other information: Not Applicable

Rating History for the last three years: Not applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash credit	N.A	N.A	N.A	12.00	SMERA BB+/Stable
Term Loans	N.A	N.A	N.A	14.47	SMERA BB+/Stable
Term Loans	N.A	N.A	N.A	3.22	SMERA BB+/Stable
Term Loans	N.A	N.A	N.A	1.81	SMERA BB+/Stable
Letter of Credit	N.A	N.A	N.A	3.00	SMERA A4+

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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