

Press Release

Sri Venkata Siva Parvathi Spinning Mills Private Limited (Sri Venkata)

02 May, 2018



Rating Assigned

Total Instruments Rated*	Rs.98.67 cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable(Assigned)
Short Term Rating	SMERA A3

Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating to '**SMERA BBB-**' (**read as SMERA triple B plus**) and short term rating to '**SMERA A3**' (**read as SMERA A three**) to the Rs.98.67 crore bank facility of Sri Venkata Siva Parvathi Spinning Mills Private Limited (Sri Venkata). The outlook is '**Stable**'.

Sri Venkata Siva ParvatiSpinnings Mills Pvt Ltd (Sri Venkata) is a private limited company engaged in the manufacturing cotton yarn ranging between 16 counts to 60 counts. The company was incorporated in 2003 and began its commercial operations from the year 2005. The manufacturing facility is located in Guntur, Andhra Pradesh. At present, the directors are Mr. MaddaliSubbarao,Mr. MaddaliGiridhararao and Ms. Maddali Krishna Vinuth.Prior to this,the promoters were engaged in trading of cotton yarn and other cotton products, ginning of cotton and conversion of cotton yarn as per specifications of the customer.

Key rating drivers

Strengths

- **Long track record of operations and experienced management:**

Sri Venkata Siva ParvatiSpinnings Mills Pvt Ltd (Sri Venkata) is a private limited company which is engaged in the manufacturing cotton yarn and located in Guntur, Andhra Pradesh. The company was incorporated in 2003 and began its commercial operations from the year 2005.The company has an established track record of 13 years and has expert team of management with a long experience in textile industry.At present the directors are Mr. MaddaliSubbarao, Mr. MaddaliGiridhararao and Ms. Maddali Krishna Vinuth. Mr. MaddaliSubba Raohas more than 45 years experience in the cotton industry since he was engaged in trading and ginning of cotton.

- **Healthy financial risk profile**

The healthy financial risk profile is marked by healthy networth, modest gearing and comfortable debt protection measures. The networth stood at Rs57.16 crore as on 31 March, 2017 as compared to Rs. 2.12 crore as on 31 March, 2016. The debt equity stands at 1.59 in FY2017 times as compared to 1.64 in the previous year. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.09 times while Debt Service Coverage (DSCR) stood at 1.03 times as on March 31, 2017. The Interest Coverage Ratio stood at 2.01 times in FY2017 as compared to 1.76 times in FY2016.

- **Proximity to raw materials**

The manufacturing plant of the company is located in Andhra Pradesh which is one of the major cotton producing state in the country. This has enabled the company to ensure steady supply of their key raw material, cotton at competitive rates.

Weaknesses

- **Working capital Intensive**

The company has working capital intensity with gross current asset (GCA) of 224 days in FY2017 as against 163 days. The GCA days mainly constitute of inventory holding of 147 days and debtors of 18 days in FY2017 as against inventory of 106 days and debtor of 24 days. The high inventory days is due to the seasonality in cotton market. The working capital days stood at 108.

- **Susceptibility of margins to fluctuations in cotton prices**

Raw cotton comprises around ~60-70 per cent of the total input cost for a yarn manufacturer. The prices of raw cotton are highly volatile due to its dependence on several factors like government policies, demand supply scenario, import-export and climatic conditions thus, exposing the profitability margins to fluctuations in cotton prices.

Analytical approach:

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

Outlook – Stable

SMERA believes that Sri Venkata will maintain a stable outlook over the medium term owing to its long track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company achieves efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration of the financial risk profile or further elongation in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	165.69	177.40	210.92
EBITDA	Rs. Cr.	18.20	20.29	24.61
PAT	Rs. Cr.	2.64	2.49	3.62
EBITDA Margin (%)	(%)	10.98	11.44	11.67
PAT Margin (%)	(%)	1.59	1.41	1.72
ROCE (%)	(%)	8.66	10.74	26.15
Total Debt/Tangible Net Worth	Times	1.59	1.64	1.75
PBDIT/Interest	Times	2.01	1.76	1.80
Total Debt/PBDIT	Times	4.89	4.11	3.52
Gross Current Assets (Days)	Days	224	163	164

Any other information

None

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Manufacturing Entities -<https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years):

On 01st November 2017 India Ratings and Research Private Limited has migrated of Sri Venkata Siva

Parvathi Spinning Mills Private Limited LongTerm Issuer Rating and Short Term Issuer Rating to the non-cooperating category.

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	CouponRate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	SMERA BBB-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	24.03	SMERA BBB-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.08	SMERA BBB-/Stable
SLC	Not Applicable	Not Applicable	Not Applicable	2.70	SMERA A3
ILC	Not Applicable	Not Applicable	Not Applicable	4.86	SMERA A3
ILC	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A3

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