

Press Release

Sri Selvam Textiles

June 27, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 6.02 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs. 6.02 crore bank facilities of Sri Selvam Textiles. The outlook is '**Stable**'.

Established in 1983, Sri Selvam Textiles (SST) is a proprietorship firm engaged in manufacturing of cotton yarn in Coimbatore (Tamil Nadu). The firm has installed capacity of 1700 tons per annum.

Key Rating Drivers

Strengths

- **Moderate financial risk:**

SST's moderate financial risk profile is marked by net worth of Rs.7.57 crore as on 31 March, 2018 (Provisional) as against Rs.6.55 crore as on 31 March, 2017. Debt-equity improved to 1.59 times as on 31 March, 2018 (Provisional) as against 2.27 times as on 31 March, 2017. The interest coverage ratio stood at 2.71 times in FY2018 (Provisional) as against 2.42 times in FY2017. The firm maintains healthy EBITDA margin of 11.78 ~percent in FY2018 (Provisional) as against ~13.94 percent in FY2017. PAT margin has improved to ~1.79 percent in FY2018 (Provisional) as against ~0.51 percent in FY2017.

- **Comfortable Liquidity Position:**

The working capital cycle is comfortable at 68 days in FY2018 (Provisional) as against 109 days in FY2017. Current ratio stood at 1.28 times in FY2018 (Provisional) as against 2.03 times in FY2017.

Weaknesses

- **Highly competitive and fragmented industry**

Sri Selvam Textiles operates in a highly competitive and fragmented cotton yarn industry with the presence of several players both in the domestic and overseas market.

- **Moderate Scale of Operation:**

In spite of being in business for more than 3 decades, the scale of operation remained moderate with revenue at Rs.31.33 crore in FY2018 (Provisional) as against Rs. 22.68 crore in FY2017. Acuité believes that the scale of operation might increase over the medium term on the account of the expansion plan as the total installed capacity is expected to increase from 1,700 tons to 2,300 tons per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Sri Selvam Textiles to arrive at this rating

Outlook: Stable

Acuité believes that SST will maintain a 'Stable' outlook over the medium term on account of moderate financial risk profile and comfortable liquidity position. The outlook may be revised to 'Positive' in case of increase in the scale of operations. The outlook may be revised to 'Negative' if the working capital cycle deteriorate or decrease in profitability.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 31.33 | 22.68 | 26.68 |

| | | | | |
|-------------------------------|---------|-------|-------|-------|
| EBITDA | Rs. Cr. | 3.69 | 3.16 | 1.29 |
| PAT | Rs. Cr. | 0.56 | 0.12 | 0.26 |
| EBITDA Margin | (%) | 11.78 | 13.94 | 4.82 |
| PAT Margin | (%) | 1.79 | 0.51 | 0.96 |
| ROCE | (%) | 9.01 | 7.34 | 16.03 |
| Total Debt/Tangible Net Worth | Times | 1.31 | 2.27 | 1.45 |
| PBDIT/Interest | Times | 2.71 | 2.42 | 1.67 |
| Total Debt/PBDIT | Times | 3.26 | 4.63 | 5.39 |
| Gross Current Assets (Days) | Days | 76 | 145 | 128 |

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 4.03 | ACUITE BB- / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.94 | ACUITE BB- / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.74 | ACUITE BB- / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.31 | ACUITE BB- / Stable |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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