

Press Release

SAVVY INDUSTRIES

June 05, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.64 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 8.64 crore bank facilities of **SAVVY INDUSTRIES (SI)**. The outlook is '**Stable**'.

Savvy Industries (SI) a partnership firm based Pune; Maharashtra was set up in 2014. It commenced commercial operations in September, 2015. The firm is engaged in manufacturing of narrow woven elastics and fabrics used by industrial and households. The firm has its manufacturing unit located at Sansawadi in Pune, Maharashtra. The partners are Mr. Rajesh Jain, Mr. Gaurav Jain, Mr. Rishabh Jain, Ms. Namita Jain, and Ms. Anuradha Jain among the others. SI's operations are primarily managed by Mr. Gaurav Jain.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SI to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is promoted by its partner, Mr. Gaurav Jain along with other partners, Mr. Rajesh Jain, Mr. Rishabh Jain, Ms. Namita Jain, and Ms. Anuradha Jain who possess experience of more than a decade decades in textile industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers.

Acuité believes that SI will continue to benefit from its experienced management and established relationships with customers.

- **Modest scale of operations**

The firm has reported high revenue growth with compounded annual growth rate (CAGR) of around 86 percent through the last four years ended 31 March, 2019 (Provisional). The firm reported high revenue growth of ~38 percent with operating income of Rs.16.28 crore in FY2019 (Provisional) as against operating income of Rs.11.76 crore in FY2018.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth and debt protection measures and high gearing. The net worth of the firm is modest at Rs.3.32 crore as on 31 March, 2019 (Provisional) as against Rs.2.69 crore as on 31 March, 2018. The gearing of the firm has stood high at 2.81 times as on March 31, 2019 (Provisional) as against 2.83 times as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.16 times as on 31 March, 2019 (Provisional) as against 3.20 times as on 31 March, 2018. The improving revenue levels coupled with high operating margins have resulted in moderate debt protection measures. The Interest Coverage Ratio (ICR) improved to 2.76 times in FY2019 (Provisional) from 2.42 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2019 (Provisional) as against 0.13 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 2.76 times for FY2019 (Provisional) as against 2.42 times in FY2018.

Weaknesses

- **Decline in profitability**

The operating margins have declined from 21.99 per cent in FY2017 to 14.78 per cent in FY2018 and 15.76 per cent in FY2019 (Provisional). This is majorly because of the fluctuation in raw material prices and power cost. Profit after tax (PAT) margins have also declined from 6.53 per cent in FY2017 to 3.72 per cent in FY2018 and 3.88 per cent in FY2019 (Provisional).

- **Intensive working capital operations**

SI has intensive working capital operations marked by high Gross Current Assets (GCA) of 193 days in FY2019 (Provisional) as against 202 days in FY2018. The firm maintains inventory of around 50 days on an average and extends clean credit of around 60 to 90 days to its customers, resulting in high GCA days. The inventory and debtors levels stood at 58 and 111 days in FY2019 (Provisional) as against 56 and 116 days in FY2018, respectively. As a result, the average utilization of bank limits stood at ~80 per cent in the last six months ending April, 2019.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high debtor days.

Liquidity Position

SI has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.23 to 1.64 crore during the last three years through 2018-19 (Provisional), while its maturing debt obligations were around Rs.0.38 crore over the same period. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 193 in FY 2019 (Provisional). This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains utilized at ~80 percent during the last 6 months period ended April, 2019. The company maintains unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2019 (Provisional). The current ratio of the company stands healthy at 1.71 times as on March 31, 2019 (Provisional).

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of improving cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that SI will continue to benefit over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in SI's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	16.28	11.76	8.45
EBITDA	Rs. Cr.	2.57	1.74	1.86
PAT	Rs. Cr.	0.63	0.44	0.55
EBITDA Margin	(%)	15.76	14.78	21.99
PAT Margin	(%)	3.88	3.72	6.53
ROCE	(%)	13.64	13.54	19.15
Total Debt/Tangible Net Worth	Times	1.06	1.04	1.14
PBDIT/Interest	Times	2.76	2.42	2.68
Total Debt/PBDIT	Times	2.53	3.01	1.95
Gross Current Assets (Days)	Days	193	202	191

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-July-2018	Cash Credit	Long Term	4.80	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	1.63	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	2.21	ACUITE BB / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.09	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.67	ACUITE BB / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.08	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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