

## Press Release

Savvy Industries

January 02, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.64	ACUITE BB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	8.64	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 8.64 crore bank facilities of Savvy Industries. The outlook is '**Stable**'.

### Rationale for rating upgrade

The rating upgrade is majorly on account of augmentation in business risk profile of the company reflected by improvement in revenues of the firm. The rating also factors in the established position of the firm and extensive experience of the partners in the industry. However, the rating is constrained by moderate financial risk profile of the firm, working capital intensive nature of operations and stretched liquidity position of the firm.

### About the Company

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 Gaurav Jain, Mr Rishabh Jain, and Mrs. Anuradha Jain. The partners of the firm possess extensive experience in the aforementioned industry which eventually helped them to forge healthy relationships with its customers and suppliers.

### Analytical Approach

Acuite has considered standalone business and financial risk profile of Savvy Industries to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Experienced management

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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 Gaurav Jain, Mr Rishabh Jain, and Mrs. Anuradha Jain. The partners of the firm possess extensive experience of Nine years in the aforementioned industry which eventually helped them to forge healthy relationships with its customers and suppliers.

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

### **Modest scale of operations and profitability**

The operations of the firm remained modest marked by operating income which stood at Rs. 24.36 crore in FY22 as against Rs.17.46 crore in FY21 with a growth of ~39% during the period. The growth in revenue majorly on account of addition of new customers specifically online brands like Clovia, Nykaa fashion among others. Furthermore, the firm has increased its capacity addition during FY22. Currently the firm is producing ~2 lakh metres per day which is around 80% utilization of the total installed capacity. Also, the firm reported operating income of Rs.21.82 crore in 8MFY2023.

The profitability of the firm was deteriorated marked by decline in operating profit to 10.50% in FY22 as compared against 12.62% in FY21. Also, the PAT margins of the firm remained at 3.72% in FY22 as against 3.85% in FY21.

Acuité believes that the firm's revenue will continue to remain modest in the medium term and will continue to remain a key rating sensitivity.

### **Weaknesses**

#### **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by low networth, high gearing and moderate comfortable debt protection metrics. The tangible net worth of the firm stood low at Rs.2.18 crore as on 31 March, 2022 as against Rs.1.72 crore as on 31 March 2021 and Rs. 3.61 crore as on 31 March 2020. Also, the deterioration in the networth in FY21 is majorly on account of withdrawal in capital account as two partners left during the period. The firm currently has three partners out of five who looks after the operations.

The total debt of the firm stood at Rs.8.53 crore as on 31 March 2022 as against Rs. 10.50 crore as on 31 March 2021. The debt profile of the firm comprises of Rs.4.67 crore of unsecured loans, Rs. 3.26 crore of short-term loans and Rs. 0.61 crore of long-term loans. The gearing of the firm improved and remained high at 3.91 times as on 31 st March 2022 as against 6.11 times as on 31 March 2021 and 1.60 times as on 31 March 2020. The TOL/TNW also stood high at 5.60 times as on 31 March 2022 as against 7.98 times as on 31 March 2021 and 3.00 times as on 31 March 2020. The debt protection metrics remains moderate with debt service coverage ratio 2.18 times in FY22 and interest coverage ratio stood at 2.18 times in FY22.

Acuité believes that the financial risk profile of the company will continue to remain moderate on absence of any major debt funded capex and modest profitability over the medium term.

#### **Working capital intensive in nature with elongated receivable days**

The operations of the firm are working capital intensive in nature marked by high GCA days of 138 days for FY22 compared against 165 days for FY21. Despite improvement, the receivable days of the firm remained high at 68 days for FY22 compared against 126 days for FY21. The inventory levels of the firm stood at 37 days during the same period compared against 66 days for FY21. The creditor days of the firm stood at 48 days for FY22 compared against 156 days for FY21. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilization by the firm is also fully utilized in last six months ended October' 2022.

## Rating Sensitivities

- Elongation in working capital cycle
- Improvement in operations and profitability

## Material covenants

None

## Liquidity Position Stretched

The liquidity position of the firm remained stretched marked by full utilization of its working capital limits majorly on account of working capital intensive nature of operations. Furthermore, the firm has high GCA days of 138 days for FY22 compared against 165 days for FY21. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilization by the firm is also utilized almost fully in last six months ended October' 2022. Also, the firm generate net cash accruals of Rs.1.41 crore in FY22 as against repayment obligations of Rs.0.89 crore during the same period. The firm maintains a cash balance of Rs.0.04 crore as on 31st March 2022. Acuite believes that the liquidity position of the firm will continue to remain stretched on account of working capital intensive nature of operations and high reliance on working capital limits for its operations.

## Outlook: Stable

Acuite believes that Savvy Industries 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

## Other factor affecting the rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	24.36	17.46
PAT	Rs. Cr.	0.91	0.67
PAT Margin	(%)	3.72	3.85
Total Debt/Tangible Net Worth	Times	3.91	6.11
PBDIT/Interest	Times	2.19	2.07

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

Crisil Ratings, vide its press release dated December 19, 2017 had denoted the rating to Savvy Industries (SI) as CRISIL B/Stable (Issuer Not Cooperating) on account of lack of adequate information required for monitoring of ratings

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Nov 2021	Term Loan	Long Term	1.67	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.80	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.09	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.08	ACUITE B+ (Downgraded and Issuer not co-operating*)
12 Aug 2020	Term Loan	Long Term	1.67	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.80	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.09	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.08	ACUITE BB- (Downgraded and Issuer not co-operating*)
05 Jun 2019	Cash Credit	Long Term	4.80	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	1.67	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.08	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	1.09	ACUITE BB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.80	ACUITE BB-   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.17	ACUITE BB-   Stable   Upgraded
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.67	ACUITE BB-   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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