

Press Release
Savvy Industries
March 27, 2024
Rating Reaffirmed



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

Rating Rationale

Acuite has reaffirmed the long-term rating at '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 8.64 crore bank facilities of Savvy Industries. The outlook is '**Stable**'.

Rationale for rating

The rating reaffirmation takes into account the modest scale and the moderate financial risk profile marked by leveraged capital structure and moderate coverage indicators. The ratings also consider the working capital intensive in nature of operations. The ratings however, positively takes note of the established position of the firm and extensive experience of the partners in the industry that led to an improvement in revenues.

About the Company

Established in 2014, Savvy Industries (SI) a partnership firm based Pune; Maharashtra 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.

Unsupported Rating

Not Applicable

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

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 a decade-long experience in the aforementioned industry which has 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 scale of operations though increased by ~26% in FY23 to Rs. 30.59 crore as against Rs. 24.36 crore in FY22, continues to remain modest. The growth in revenue was majorly on account of addition of new online customers like Clovia, Nykaa fashion among others. In 9MFY24, the firm reported operating income of Rs.21.63 crore in 9MFY2024 and is expected to close the year with revenues of Rs. 30 Cr. The profitability of the firm has improved with EBDITA margin of 11.01% in FY23 as compared against 10.50% in FY22. The PAT margins of the firm remained flat at 3.79% in FY23 as against 3.71% in FY22.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm remains moderate marked by low networth, high gearing and moderate debt protection metrics. The tangible net worth of the firm stood low at Rs. 3.71 crore as on 31 March,2023 as against Rs. 2.18 crore as on 31 March 2022 and Rs. 1.72 crore as on 31 March 2021. The total debt of the firm stood at Rs.12.68 crore as on 31 March 2023 as against Rs. 8.53 crore as on 31 March 2022. The debt profile of the firm comprises of Rs.6.62 crore of unsecured loans, Rs. 5.20 crore of short-term loans and Rs. 0.87 crore of long-term loans. The gearing of the firm continues to remain high at 3.42 times as on 31st March 2023 as against 3.92 times as on 31 March 2022. The TOL/TNW also stood high at 4.40 times as on 31 March 2023 as against 5.60 times as on 31 March 2022. The debt protection metrics remains moderate with debt service coverage ratio 2.27 times in FY23, and interest coverage ratio stood at 2.28 times in FY23. Further, the firm is in process of setting up a new manufacturing plant at a capex of Rs. 2-2.5 Cr. The funding of the same would be done through term loan of Rs. 1.5 Cr. and balance through promoter's contribution. Acuite will closely monitor any cost or time overruns in the said expansion.

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 170 days for FY23 increased from 138 days for FY22. The receivable days of the firm remained high at 79 days for FY23 compared against 68 days for FY22. The inventory levels of the firm stood at 33 days during the same period compared against 37 days for FY22. The creditor days of the firm stood at 36 days for FY22 compared against 57 days for FY22. 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 ~81% in last six months ended February 2024.

Rating Sensitivities

- Sustainable improvement in revenue and profitability with an improvement in the overall financial risk profile and liquidity.
- Elongation in working capital cycle or higher than expected debt funded capex leading to deterioration in the overall financial risk profile and the liquidity position.

Liquidity Position

Adequate

The liquidity of the firm remains adequate as reflected by generation of net cash accruals of Rs.1.88 crore in FY23 as against repayment obligations of Rs.0.24 crores during the same period. However, the business is working capital intensive with increase in the GCA days to 170 for FY23 compared against 138 days for FY22. Also, the company had a limited cash balance of Rs.0.06 crores as on 31st March 2023. The company has buffer in the bank limits with average utilisation of 81%

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 and 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 Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	30.59	24.36
PAT	Rs. Cr.	1.16	0.91
PAT Margin	(%)	3.79	3.72
Total Debt/Tangible Net Worth	Times	3.42	3.92
PBDIT/Interest	Times	2.28	2.19

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

Not Applicable

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jan 2023	Cash Credit	Long Term	4.80	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Proposed Long Term Bank Facility	Long Term	2.17	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.67	ACUITE BB- Stable (Upgraded from ACUITE B+)
08 Nov 2021	Cash Credit	Long Term	4.80	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.08	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	1.67	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	1.09	ACUITE B+ (Downgraded & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.14	ACUITE BB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	05 Oct 2023	Not avl. / Not appl.	07 Oct 2028	Simple	1.50	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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