



Press Release
Shree Sakthi Vinayagar Weaves Private Limited
December 12, 2023
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.07	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	15.68	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	10.93	-	ACUITE A3 Assigned
Bank Loan Ratings	0.32	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	54.00	-	-

Rating Rationale

Acuite has upgraded and assigned its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from **ACUITE B+** (read as **ACUITE B plus**) and short term rating to **ACUITE A3** (read as **ACUITE A three**) from **ACUITE A4** (read as **ACUITE A four**) on the Rs.54.00 crore bank facilities of Shree Sakthi Vinayagar Weaves Private Limited (SSVWPL). The outlook is '**Stable**'.

Rationale for the rating

The rating takes into account improving operating performance of SSVWPL improved operating margins and moderate financial profile. The company recorded operating income of Rs.160.30 Cr in FY2023 as against Rs.121.81 Cr in FY2022 and in H1FY23, the company generated revenues of Rs.84.52 Cr and is expected to close the year in the range of Rs.170-180 Cr. The increase in the operating margin to 11.07 percent in FY2023 from 9.92 percent in FY2022 in spite of the fluctuation in cotton prices. The rating also factors the moderate financial risk profile and established presence in the textile industry and vast promoter experience.

However, the rating is constrained by the working capital intensive operations, susceptibility to fluctuation in raw material prices and high bank limit utilisation. Going forward, the ability of the company to improve its scale of operations while maintaining its profitability margins and capital structure and restricting further elongation of its working capital cycle will remain a key rating monitorable.

About the Company

Incorporated in 2006, Shree Sakthi Vinayagar weaves Private Limited (SSVWPL) manufactures grey fabric by weaving viscose yarn and cotton yarn. The company's manufacturing facility is located at Pallipalayam in Erode (Tamil Nadu). The company has a power loom capacity of 315 looms, Air-jet looms capacity of 120 looms with windmills 0.75 MW and ground mounted solar of 1.00 MW.

Currently the company is promoted by Mr. Sengoda Mani, Mr. Mani Sakthivel and Mr. Mani Jayaprakash.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Shree Sakthi Vinayagar Weaves Private Limited (SSVWPL) to arrive at the rating.

Key Rating Drivers

Strengths

Established presence in the textile industry and vast promoter experience

SSVWPL was established initially in 1970 as a family business and later incorporated as a private limited company in 2006. The company is promoted by Mr. Sengoda Mani, Mr. Mani Sakthivel and Mr. Mani Jayaprakash. The company has a competent management supported by a team of well qualified and experienced second line personnel. The promoters have more than three decades of experience in the textiles industry. This has helped in building healthy relationships with its suppliers and customers to ensure a steady raw material supply and repeat business. SSVWPL's revenue from manufacturing has improved due to enhanced capacity utilisation from 55 looms to 120 air jet looms during the last two years ending FY2023. Further, SSVWPL is expected to enjoy the benefit of positioning in the textile belt of Tamil Nadu in Erode which houses several spinning mills and fabric manufacturers and which provides easy access to raw material, labour, processing facilities and sales agents. Acuité believes that the SSVWPL will benefit from established presence in textile industry and extensive experience of promoters.

Improving scale of operations

SSVWPL has reported revenue of Rs.160.30 Cr during FY2023, Rs.121.81 Cr in FY2022 as against Rs.44.18 Cr in FY2021. The company reported the growth of 175.73% in FY2022 includes improvement in the textile industry, addition of production capacity. The EBITDA margins of the company have improved to 11.07 percent during FY2023 from 9.92 percent of previous year. The improvement in EBITDA is due to increasing its production capacity year on year, resulted to less dependent on the other companies for the job work and savings from the captive power. The company has reported revenue of Rs.84.52 Cr till September 2023 expected to register revenue in the range of Rs.170 Cr -180 Cr for the year FY2024.

Moderate financial risk profile

SSVWPL has a moderate financial risk profile marked by moderate capital structure above-average debt protection metrics and low Net worth. The tangible net worth stood at Rs.20.70 Cr as on March 31, 2023 against Rs.16.04 Cr in the March 31, 2022. The total debt of Rs.41.27 Cr as on March 31, 2023 consist of long-term debt of Rs.21.56 Cr, unsecured loans from directors of Rs.8.49 Cr, Short term debt of Rs.5.51 Cr and maturing portion of long term borrowings of Rs.5.71 Cr. The company's debt has significantly increased due to continuous CAPEX. SSVWPL has planned for the additional CAPEX in FY2024 for increasing its production capacity in Air jet looms from 120 looms to 184 looms. The company also planned to increase its Ground mounted solar power plant capacity to 3MW from 1MW. The CAPEX is majorly funded by term loans of Rs.21.50 Cr.

The debt-equity ratio is stable for the last three years and stood at 1.99 times as on March 31, 2023 as against 1.97 times as on March 31, 2022. TOL/TNW (Total outside liabilities/Total net worth) has improved and stood at 4.15 times as on 31 March, 2023 against 4.97 times in previous year. Interest Coverage Ratio (ICR) stood above-average at 5.14 times in FY2023 as against 5.45 times in FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.13 times in FY2023 as against 2.32 times in FY2022.

Acuite believes that the financial risk profile of the SSVWPL will improve in the medium term owing to no further debt funded CAPEX and improvement in the turnover and margin of the company

Weaknesses

Moderately efficient Working capital operations

SSVWPL working capital operations are moderately intensive reflected by its Gross current assets (GCA) days of 119 days as on March 31, 2023 compared to 157 days as on March 31, 2022 owing to. high debtor days and increasing current assets. The inventory days stood low

to 6 days as on March 31, 2023 as against 8 days as on March 31, 2022. The debtor days improved and stood at 106 days as on March 31, 2023 as against 149 days as on 31st March 2022. Subsequently, the payable period stood at 105 days as on March 31, 2023 as against 150 days as on March 31, 2022. Further, the average bank limit utilization of fund based facilities of SSVWPL is highly utilized at an average of nearly of 92.08% for the 12 months ending September 2023

Susceptibility of the margins to volatility in raw material prices:

The SSVWPL's profitable margins are susceptible to fluctuations in the prices of raw materials, which affects sales realisations. Any adverse movement in the price of key raw materials, such as yarn, could have an adverse impact on the SSVWPL's margins, as it may not be able to pass on the price hike to its customers owing to stiff competition. Operating margins of cotton spinners are susceptible to changes in cotton prices, which are highly volatile and commoditised product. Any abrupt change in cotton prices due to supply-demand scenario, carry-over stocks in the overseas market, and government regulations of changes in minimum support price (MSP) can lead to distortion in market prices and affect the profitability of players across the cotton value chain, including spinners.

Rating Sensitivities

- Improvement revenue and profitability while maintaining capital structure
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

All Covenants

None

Liquidity Position: Adequate

The liquidity profile of SSVWPL is adequate marked by its adequate net cash accruals to its maturing debt obligations. The company has reported cash accruals of Rs.12.65 -8.31 Cr during last two years ending March 31, 2023 as against its long term debt obligations of Rs.4.09 -2.31 Cr for the same period and expected to generate cash accruals in the range of Rs.16-23 Cr. against CPLTD of Rs.9 Cr over the medium term. Unencumbered cash and bank balances of SSVWPL stood at Rs.0.31 Cr as on March 31, 2023. The current ratio of the company stood at 1.09 times as on March 31, 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of working capital intensive nature of operations.

Outlook: Stable

Acuité believes that SSVWPL will maintain a 'Stable' outlook over the medium term from its director's industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations or larger than expected debt-funded capex leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	160.30	121.81
PAT	Rs. Cr.	4.75	4.21
PAT Margin	(%)	2.96	3.46
Total Debt/Tangible Net Worth	Times	1.99	1.97
PBDIT/Interest	Times	5.14	5.45

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Nov 2022	Proposed Bank Facility	Long Term	1.75	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.90	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.32	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	5.16	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	2.39	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.59	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.89	ACUITE B+ (Issuer not co-operating*)
18 Aug 2021	Term Loan	Long Term	0.59	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	0.89	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	5.16	ACUITE B+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.75	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.90	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.32	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	2.39	ACUITE B+ (Issuer not co-operating*)
29 May 2020	Proposed Bank Facility	Long Term	1.75	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.39	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.16	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.32	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.89	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.59	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.90	ACUITE B+ (Downgraded and 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
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.32	ACUITE A3 Upgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Upgraded
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.90	ACUITE BBB- Stable Assigned
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.93	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.06	ACUITE BBB- Stable Upgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.29	ACUITE BBB- Stable Upgraded
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.33	ACUITE BBB- Stable Upgraded
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	22.17	ACUITE BBB- Stable Assigned

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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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