



Press Release
SHREE SAKTHI VINAYAGAR WEAVES PRIVATE LIMITED
March 11, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.75	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	11.25	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	54.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to 'ACUITE BBB' (read as ACUITE triple B) from 'ACUITE BBB-' (read as ACUITE Triple B Minus) and short-term rating to 'ACUITE A3+' (read as ACUITE A three plus) from 'ACUITE A3' (read as ACUITE A Three) 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 upgrade is on account of improvement in the operating performance of SSVWPL, the year-on-year capital expenditure contributed to an increase in turnover for FY24 and expected to continue in FY25. The rating also factors in the company's established presence in the textile industry, the extensive experience of its promoters, moderate financial risk profile and adequate liquidity position. However, the rating is constrained due to moderately intensive working capital operations of the company and susceptibility of profitability to fluctuations in raw material prices in a competitive textile industry.

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 184 looms along with windmills of 0.75 MW and ground mounted solar of 3.00 MW. The company also owns 1 Sizing machine and 2 Warping machines as a part of the preparatory process of weaving. Currently the company is promoted by Mr. Sengoda Mani, Mr. Mani Sakthivel and Mr. Mani Jayaprakash.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 extensive experience of promoters

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 120 looms to 184 air jet looms during the last two years ending FY2024. 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 extensive management experience, location advantage and its established presence in textile industry.

Improvement in revenue and profitability margins

The company's revenue increased to Rs. 178.32 crore in FY24, up from Rs. 160.30 crore in FY23. This growth was driven by a 24.45 per cent increase in the volume of grey cloth sold in FY24. However, the price per unit sold moderated to Rs. 40.58 in FY24 from Rs. 46.31 in FY23 due to volatility in yarn prices and demand for specific counts and patterns manufactured during the year. SSVWPL reported revenue of Rs. 181.75 crore in 9MFY25 and expects to close the year with an estimated revenue of Rs. 230-240 crore. The company's operating profit margin improved to 13.45 per cent in FY24, compared to 11.07 per cent in FY23. Additionally, the PAT margin increased to 3.99 per cent in FY24 from 2.96 per cent in FY23. Acuité believes that going ahead the company's ability to consistently improve its revenues and profitability margins would remain a key rating monitorable.

Moderate Financial Risk Profile

SSVWPL has a moderate financial risk profile marked by moderate net worth, gearing and debt protection metrics. SSVWPL's net worth stood improved at Rs. 36.32 crore as on March 31, 2024 against Rs. 20.70 crore as on March 31, 2023, on account of accretion of profits to reserves and subordination of debt as quasi equity. Unsecured loans from promoters/directors of Rs. 9.15 crore has been treated as quasi equity as per the sanction terms from FY2024 onwards. The company's gearing stood at 1.27 times as on March 31, 2024 as against 1.99 times as on March 31, 2023, on account of improvement in net worth. The company's total debt as on March 31, 2024 stood at Rs. 46.21 crore; comprising of long-term debt of Rs. 26.74 crore, short-term debt of Rs. 10.57 crore, USL from Promoters of Rs. 0.66 crore and maturing debt repayment obligation of Rs. 8.25 crore. TOL/TNW stood at 2.92 times as on March 31, 2024. The interest coverage ratio of the company stood at 5.05 times in FY24 against 5.14 times in FY23. DSCR stood at 2.03 times in FY2024 against 2.13 times in FY2023.

Acuité believes that it's the financial risk profile of the company would remain moderate over the medium to long term on account of no major debt funded capex.

Weaknesses

Moderately Intensive Working capital operations

SSVWPL has moderately intensive working capital operations with average gross current asset (GCA) of 138 days during FY22 to FY24. GCA days increased and stood at 138 days in FY2024 against 119 days in FY2023. Inventory days stood range bound at 6 days in FY2024 as against the same in FY23 and FY22. The inventory levels of SSVWPL remained at similar levels from FY22-24 due to the company procuring the yarn on demand. The debtor days stood marginally deteriorated and stood at 129 days for FY24 against 106 days for FY23. The creditor days of the company stood at 98 days for FY24 as against 105 days for FY23. The average bank limit utilization for 09 months period ended December 2024 stood at ~90.70 per cent for the fund-based limits. Acuité believes, the working capital requirements of the company would remain moderately intensive on the back of elongated debtor days.

Susceptibility of the margins to volatility in raw material prices

The SSVWPL's profitability 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 cotton, viscose yarn, would 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

- Consistent Improvement in revenues and profitability margins
- Deterioration in financial risk profile owing to higher-than expected debt funded capex
- Deterioration in working capital cycle.

Liquidity Position

Adequate

Liquidity is adequately backed by SSVWPL's net cash accruals, which stood at Rs. 16.54 crore as on March 31, 2024, against maturing debt repayment obligation of Rs. 5.71 crore for the same period. Going forward the NCA are expected in the range of Rs. 26 crore to Rs. 30 crore for period FY2025- FY2027 against its repayment obligation of around Rs. 7 to Rs. 8 crore during the same period. The cash and bank balances of the company stood at Rs. 2.60 crore as on March 31, 2024. The current ratio stood at 1.03 times as on March 31, 2024. The average bank limit utilization for 09 months period ended December 2024 stood at ~90.70 per cent for the fund-based limits.

Acuité believes that going forward the liquidity of SSVWPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	178.32	160.30
PAT	Rs. Cr.	7.11	4.75
PAT Margin	(%)	3.99	2.96
Total Debt/Tangible Net Worth	Times	1.27	1.99
PBDIT/Interest	Times	5.05	5.14

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Dec 2023	Bank Guarantee/Letter of Guarantee	Short Term	0.32	ACUITE A3 (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	10.93	ACUITE A3 (Assigned)
	Term Loan	Long Term	5.29	ACUITE BBB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	6.33	ACUITE BBB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	22.17	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE B+)
	Proposed Long Term Bank Facility	Long Term	3.06	ACUITE BBB- Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	4.90	ACUITE BBB- Stable (Assigned)
10 Nov 2022	Bank Guarantee/Letter of Guarantee	Short Term	0.32	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	5.16	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.59	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.89	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	2.39	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	4.90	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.75	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.32	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.90	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.93	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.06	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Term Loan	30 Apr 2022	Not avl. / Not appl.	30 Jun 2030	5.29	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Federal Bank	Not avl. / Not appl.	Term Loan	20 Jul 2019	Not avl. / Not appl.	30 Nov 2030	28.50	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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