



## Press Release

**Sri Sakthi Veeramathe Weaving**

**D-U-N-S® Number: 67-548-4873**

March 29, 2019

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 7.50 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 7.50 crore bank facilities of Sri Sakthi Veeramathe Weaving (SSVW). The outlook is '**Stable**'.

SSVW, a partnership firm based at Tamil Nadu was established in 2017 and is engaged in manufacturing of grey fabrics. The firm is managed by Mrs. K Saratha and Mr. D. Krishna Moorthy. The firm started its commercial operations from July 2018. The manufacturing facility is located at Dindigul (Tamil Nadu) with an installed capacity of 24,46,617 meters per annum.

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SSVW to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced Partners**

The key partner, Mrs. K Saratha has over a decade experience in the textile industry and Mr. D. Krishna Moorthy has over five years of experience in the same business. The partners previously used to run their own small scale textile unit. The partners are well supported by second line of management. The extensive experience of the promoters has helped the firm in timely execution of proposed project.

#### Weaknesses

- **Nascent scale of operations**

The scale of operations of SSVW is at nascent stage as it started commercial operations from July 2018. The firm has booked revenue of Rs.0.79 crore till February 2018 and currently, it carries out job work for other players in the market. Further, the firm is planning to start purchasing for own consumption and start exporting the grey fabrics in international market.

- **High competition and profits are susceptible to fluctuations in raw material prices**

The firm operates in Indian textile industry which is marked by presence of large number of organised and unorganised players. Further, margins are highly susceptible to changes in cotton prices. Price of cotton is stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the profitability.

#### Liquidity Position:

Acuité expects the liquidity position of SSVW to be moderate for the first year of operations and expects maturing debt obligations to be around Rs.0.10 crore for FY2019 and will stand at Rs.0.80-0.95 crore during FY 2020-21. Acuité believes that the partners' would support the firm till operations stabilise. The liquidity of the company is likely to remain stretched over the medium term on account

of nascent stage of operations and will rely on the ability of the partners to fund the liquidity deficit in the initial stage of operations. The firm avails working capital facility of Rs.0.30 crore and is utilised at 90-95 percent as on February 2019.

#### **Outlook: Stable**

Acuité believes that SSVW will maintain a 'Stable' outlook over the medium term from its partner's industry experience. The outlook may be revised to 'Positive' in case the firm reports substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profitability, or a higher working capital requirement deteriorates capital structure or liquidity position of the firm.

#### **About the Rated Entity - Key Financials**

Not Applicable as the firm has started commercial operations in July 2018.

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

Not Applicable

#### **Any other information**

None

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### **Note on complexity levels of the rated instrument**

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

#### **Rating History (Upto last three years)**

Not Applicable

#### **\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	7.04	ACUITE B / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE B / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.16	ACUITE B / Stable

#### **Contacts**

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Rupesh Patel Analyst - Rating Operations Tel: 022-49294032 <a href="mailto:rupesh.patel@acuiteratings.in">rupesh.patel@acuiteratings.in</a>	

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.