



Press Release

Sri Sakthi Veeramathe Weaving

D-U-N-S® Number: 67-548-4873

March 29, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	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 use 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

Acuite 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

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About Acuité Ratings & Research:

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