

## Press Release

### Lucky Weavess India Private Limited

October 28, 2022



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	52.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	76.00	ACUITE A-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	128.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded its long term rating of 'ACUITE A-' (read as ACUITE A 'Minus') from ACUITE BBB+ (read as ACUITE triple B plus) on the Rs. 76.00 Cr bank facilities of Lucky Weavess India Private Limited (LWIPL).

Acuite has also assigned its long term rating of 'ACUITE A-' (read as ACUITE A 'Minus') on the Rs. 52.00 Cr bank facilities of Lucky Weavess India Private Limited (LWIPL). The outlook is 'Stable'.

### Rating Rationale

The rating upgrade factors in strong performance of Lucky Group in FY 2022. The rating revision also factors in the positive demand outlook witnessed by the group in FY 2022. The absolute EBITDA of the group has improved to Rs. 119.75 Cr in FY 2022 as against Rs. 68.15 Cr in FY 2021. The improvement is attributable to decrease in operational overheads, reduction in power cost and savings due to reduction in conversion cost on account of higher integration between the Lucky Yarn Tex India Private Limited (LYITPL) and Lucky Weavess India Private Limited (LWIPL). The growth in demand in FY 2022 is evident from strong Year-to-date (YTD) financials posted by the group. The group's revenue was recorded at Rs. 496.09 Cr in H1 of FY 2023 against Rs. 359.49 Cr in H1 of FY 2022, an increase by 38 percent on half year basis. The group in FY 2022 has availed long term debt for capital expenditure towards the capacity expansion by increasing the capacity of Vortex and Air-Jet looms. Besides, the group has set-up a Solar power unit of 10 MW to reduce the reliance on external power sources and increase captive power generation. Lucky Group is expected to capitalize on the increase in demand through on-going capex plans for capacity expansion and cost reduction over the near to medium term. However, the rating is constrained due to high GCA days of 110 days for FY 2022 along with higher reliance on short term borrowings with an average utilization of 80 to 95% for 12 months ended September 2022 and higher supplier concentration risk.

### About Company

Lucky Weavess India Private Limited (LWIPL) was incorporated in the year 2015 as sizing and

warping unit for Viscose yarn in Erode, Tamil Nadu. The company is engaged in preparatory process of viscose yarn and fabric. The company's manufacturing facility is located in Pallipalayam, Erode, Tamil Nadu with total capacity of 2 sizing units, 4 warping units and 100 air jet looms. The company is promoted by Mr. Ganesh Rajamanickam and Mr. P Vishwanathan and Mr. Rajamanickam Saravana Prabhu. Promoters, Mr. G. Rajamanickam and Mr. P. Vishwanathan are also promoters of Lucky Yarn Tex India Private Limited (LYTI) and co-promoters of Mothi Spinners Private Limited (MSPL) (ACUITE A- / Stable / A2+).

### About the Group

Lucky Yarn Tex India Private Limited (LYTIPL) & Lucky Weavess India Private Limited (LWIPL) together are regarded as "Lucky Group". Whilst LYTIPL was incorporated in 2006, LWIPL was incorporated in the year 2015 as sizing and warping unit for Viscose yarn in Erode, Tamil Nadu. The company is engaged in preparatory process of viscose yarn and fabric. The company's manufacturing facility is located in Pallipalayam, Erode, Tamil Nadu with total capacity of 2 Sizing units, 4 Warping units and 150 Air Jet Looms. The group is promoted by Mr. Ganesh Rajamanickam and Mr. P Vishwanathan and Mr. Rajamanickam Saravana Prabhu. Promoters, Mr. G. Rajamanickam and Mr. P. Vishwanathan are also co-promoters of Mothi Spinners Private Limited (MSPL) (ACUITE A- /Stable/A2+), which is the parent company.

### Analytical Approach

#### Extent of Consolidation

- Full Consolidation

#### Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of LYTIPL and LWIPL together referred as 'Lucky Group'. The consolidation is in the view of common management, similar line of business in textile processing industry, operational and financial linkages between the entities and management stated posture of extension of support with the group companies.

### Key Rating Drivers

#### Strengths

##### **Promoters' extensive experience in textile processing industry; Established player in viscose yarn manufacturing segment**

Lucky Group is engaged in the manufacturing of viscose yarn and blended fabric (i.e. a blend of viscose yarn and cotton yarn) for more than a decade. The group is promoted by Mr. P. Viswanathan, Mr. G. Rajamanickam and Mr. G. Doraisamy, Mr. Rajamanickam Saravana Prabhu who have more than three decades of experience in the textile industry. The top management is ably supported by a well-qualified and experienced team of second line of management. The group has integrated operations across the textile value chain and undertakes spinning and weaving. The group sells to traders, garment and hosiery manufacturers in and around Erode, Tirupur, Ichalkaranji, Surat and Kolkata, enjoys longstanding relationship with its customers and suppliers. Owing to the business relationships and dynamic strategies, it reported revenue of Rs. 858.97 Cr in FY 2022, which grew by compounded annual growth rate (CAGR) of ~54.25 percent as against Rs. 201.86 Cr in FY 2017; backed by repeat orders from the customers and regular capex to enhance and refurbish the capacity. Besides, the group has achieved revenues of Rs. 858.97 Cr for FY 2022 along with absolute EBITDA of Rs. 119.75 Cr. The group operates at moderate and growing profitability margins marked by operating margin (EBITDA) of 13.94 percent in FY 2022 which has deteriorated in comparison with the previous year due to the count pattern of fabric for which the company received the orders.

Acuité believes that the group will continue to derive benefit from its promoter's experience, its established presence and increasing scale of operations providing healthy revenue visibility in medium term.

### Moderate debt protection metrics and capital structure

Lucky Group's financial risk profile is moderate, marked by moderate Network and gearing along with modest debt protection metrics.

The profitability levels vis-à-vis the existing debt obligations have led to marginal improvement in the debt protection metrics. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 5.64 times and 2.09 times respectively in FY 2022 as against 4.09 and 1.86 times respectively in the previous year of FY 2021. The net worth of the group stood at Rs. 131.41 Cr as on 31 March, 2022 as against Rs. 95.92 Cr as on 31 March, 2021. The improvement is on account of accretion of net profit in the reserves. The gearing level (debt-equity) stands marginally deteriorated at 2.32 times as on 31 March, 2022 as against 2.20 times as on 31 March, 2021, wherein, the deterioration is on account of significant increase in long term debt for capex plans during the period. TOL/TNW (Total outside liabilities/Total net worth) stands stable and moderate at 3.11 times as on 31<sup>st</sup> March, 2022 against 2.81 times as on 31<sup>st</sup> March, 2021. High TOL/TNW is on account of presence of high long term debt and trade payables levels during the period against previous year. The total debt of Rs. 288.80 Cr as on 31<sup>st</sup> March, 2022 consists of long-term debt of Rs. 176.03 Cr, short term debt of Rs. 64.14 Cr and maturing portion of long term borrowings of Rs. 48.62 Cr. NCA/TD (Net cash accruals to total debt) stands marginally improved at 0.28 times in FY 2022 as against 0.23 times in FY 2021. Acuité expects the financial risk profile to remain healthy over the medium term on account of moderate capital structure and stable operations of the group.

### **Continuous capacity expansion over the years; Capex underway for capacity expansion and reduction in power cost**

Lucky Group over the years has been incurring capex for modernization and upgradation of its machinery to cater the growing domestic demand. The group is majorly equipped with automated machinery which has also helped to mitigate the availability of manpower. LYTIPL is well placed in the market with spindle capacity of 40,896 spindles and 18 vortexes and 150 air jet looms which is expected to aid the operations going further. The Capex is underway for increase in Vortex to 36 units from 18 units and is expected to be operational in FY 2023. On other hand, LWIPL is equipped with capacity of 2 sizing units, 4 Warping and 150 air jet looms which is expected to aid the operations going further. The Capex is underway for increase in Air-Jet looms to 200 units from 150 units and is expected to be operational in FY 2023. Lucky Group's management has been focusing on reducing the power cost over the year by incurring continuous capex towards windmill setup in LYTIPL. Further, the Group is setting up Windmill in LWIPL in FY 2023 of 2 MW. The windmill and solar plant is expected to cater to around 75-80 percent of the company's power requirements. Acuité believes that with an ongoing growth in demand in the industry backed by repeated orders from the customers, capex underway and the improvement in revenue growth, the business risk profile of the group is expected to improve over the medium term.

### **Weaknesses**

#### **Working capital operations marked by moderate GCA days**

Lucky Group's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 110-150 days over the last 3 years ending March 31, 2022. The GCA days are majorly marked by moderate inventory and debtor days. The elevated GCA days of 110 days as on March 31, 2022 is on account of presence of moderate debtors amounting to nearly Rs. 100.50 Cr. The Company has recorded debtor days at 72 days in FY 2022 against 91 days in FY 2021 and Inventory days at 22 days against 41 days in FY 2021. The inventory stood at Rs. 45.16 Cr as on March 31, 2022 against Rs. 39.04 Cr as on March 31, 2021. These are partially offset by creditor days at 49 days as on March 31, 2022. The moderate GCA cycle has led to utilization of around 80% to 95% of working capital requirement bank lines of Rs. 64.00 Cr over the past 12 months ending September, 2022. Acuité believes that the operations of the group will remain moderately working capital intensive on account of nature of the textile processing industry.

### **High supplier concentration risk in the revenue profile**

Lucky Group procures the viscose fibre from Grasim Industries and in and around Tamil Nadu, and sells mainly to auto looms, traders, garment & hosiery manufacturers in around Erode, Tirupur, Ichalkaranji, Surat and Kolkata etc. Acuité believes that there exists high supplier concentration risk in the revenue profile of the group. However, the risk of concentration is mitigated to an extent on account of long standing relationship of the group and promoters with its major supplier "Grasim Industries Limited".

### Rating Sensitivities

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged
- Any deterioration in working capital cycle and liquidity profile of the group

### Material Covenants

None

### Liquidity Position Adequate

Lucky Group's liquidity is adequate marked by healthy generation of net cash accruals in FY 2022 to its maturing debt obligations and moderate level of unencumbered cash and bank balance. The group has generated cash accruals in the range of Rs. 49.31 Cr to Rs. 86.20 Cr during last three years ending FY 2022 as against its long term debt obligations of Rs. 18.62 Cr to Rs. 48.62 Cr for the same period. The group is expected to generate NCA in range of Rs. 109.68 – 122.92 Cr against maturing debt obligations in range of Rs. 64.49 – 67.82 Cr over the medium term.

The group's working capital is moderate as evident from Gross Current Asset (GCA) of 110 days as on March 31, 2022 as compared to 150 days as on March 31, 2021. The current ratio stood at 1.38 times as on March 31, 2022 against 1.68 times as on March 31, 2021. The GCA cycle has led to utilization of around 80% to 95% of working capital requirement bank lines of Rs. 64.00 Cr over the past 8 months ending September, 2022. The group maintained unencumbered cash and bank balances of Rs. 0.29 Cr as on March 31, 2022 against Rs. 0.88 Cr in previous year. Acuité believes that the liquidity of the group to remain healthy on account of stable scale of operations and healthy capital structure.

### Outlook: Stable

Acuité believes that Lucky Group's rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations, experienced management in the industry and capex underway for capacity expansion and power cost reduction. The outlook may be revised to 'Positive' if the group registers sustainable improvement in sales volumes and improvement in realizations of the products offered leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case Lucky Group registers lower-than expected revenues and profitability or any significant stretch in its working capital management or larger than expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	858.97	415.90
PAT	Rs. Cr.	35.49	8.12
PAT Margin	(%)	4.13	1.95
Total Debt/Tangible Net Worth	Times	2.32	2.20
PBDIT/Interest	Times	5.64	4.09

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

None

**Any Other Information**

None

**Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

**Note on Complexity Levels of the Rated Instrument**<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Nov 2021	Cash Credit	Long Term	5.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	19.48	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	4.68	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	11.90	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.14	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	3.30	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	6.50	ACUITE BBB+   Stable (Assigned)
13 Oct 2021	Cash Credit	Long Term	5.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB- (CE)   Stable)
	Term Loan	Long Term	4.68	ACUITE BBB+   Stable (Upgraded from ACUITE BBB- (CE)   Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB- (CE)   Stable)
	Term Loan	Long Term	11.90	ACUITE BBB+   Stable (Upgraded from ACUITE BBB- (CE)   Stable)
	Term Loan	Long Term	19.48	ACUITE BBB+   Stable (Upgraded from ACUITE BBB- (CE)   Stable)
	Proposed Bank Facility	Long Term	0.94	ACUITE BBB+   Stable (Upgraded from ACUITE BBB- (CE)   Stable)
27 Aug	Term Loan	Long Term	16.50	ACUITE BBB- (CE)   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (CE) (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- (CE)   Stable (Reaffirmed)



2020	Term Loan	Long Term	24.00	ACUITE BBB- (CE)   Stable (Assigned)
	Term Loan	Long Term	5.24	ACUITE BBB- (CE)   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.76	ACUITE BBB- (CE)   Stable (Reaffirmed)
09 Jan 2020	Term Loan	Long Term	7.00	ACUITE BBB- (CE)   Stable (Assigned)
	Term Loan	Long Term	16.50	ACUITE BBB- (CE)   Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- (CE)   Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB- (CE)   Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (CE) (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A-   Stable   Upgraded
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.24	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.43	ACUITE A-   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.75	ACUITE A-   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	13.26	ACUITE A-   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	6.05	ACUITE A-   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Jul 31 2017 12:00AM	8.40	Sep 30 2026 12:00AM	4.04	ACUITE A-   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Sep 12 2018 12:00AM	8.40	Mar 31 2028 12:00AM	10.61	ACUITE A-   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Jan 13 2020 12:00AM	8.40	Mar 31 2031 12:00AM	18.86	ACUITE A-   Stable   Upgraded
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	22.00	ACUITE A-   Stable   Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.50	ACUITE A-   Stable   Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	12.00	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	4.26	ACUITE A-   Stable   Assigned

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### About Acuité Ratings & Research

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