



Press Release
VEEBEE YARNNTEX PRIVATE LIMITED
April 04, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	172.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	172.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n the Rs.172.00 crore bank facilities of Veebee Yarnntex Private Limited (VBYPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation of rating:

The rating reaffirmation reflects the promoters extensive experience in the cotton yarn manufacturing industry, along with improvement in profitability despite a decline in revenue during FY2024 and expected revenue growth in the near term. However, the rating is constrained by moderate financial risk profile, moderately intensive nature of working capital operations and susceptibility of profitability margins to fluctuation in raw material prices. Going forward, sustaining profitability levels and improving the operating revenue and financial risk profile will be a key rating monitorable.

About the Company

Established in 2004 and based in Rajapalayam (Tamil Nadu), Veebee Yarnntex Private Limited (VBYTPL) is promoted by Mr. A. Saravanakumar, Mrs. S. Ramapriya and other family members. VBYTPL, a family owned business, is engaged in the production of cotton yarn of finer counts of superior and premium quality, largely utilized in the home textile segments (60s, 67s, 80s, 100s and 120s). VBYTPL has a ring spinning manufacturing unit located in Madurai (Tamil Nadu) with an installed capacity of 1,26,384 spindles.

About the Group

Established in 1980 and based in Rajapalayam (Tamil Nadu), Subburaaj Cotton Mill Private Limited (SCMPL) was initially set up as partnership firm ‘Subburaaj Cotton Mill’ by Mr. K. Venkatasamy. In May 1995, the firm changed its constitution to private limited company and currently is promoted by Mr. A. Saravanakumar, Mrs. S. Ramapriya and other family members. SCMPL, a family-owned business, is engaged in the production of cotton yarn across coarser, medium and finer counts, largely utilized in the home textile segments (16s, 20s, 30s, 40s, 80s, 100s and 105s). SCMPL has a ring spinning manufacturing unit located in Rajapalayam (Tamil Nadu) with an installed capacity of 70,704 spindles and a rotor spinning manufacturing unit located in Krishnan Kovil (Tamil Nadu) with an installed capacity of 3,030 rotors, equivalent to 24,240 spindles

Unsupported Rating

Not applicable

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 Veebee Yarnntex Private Limited (VBYTPL) and Subburaaj Cotton Mill Private Limited (SCMPL) together referred to as the 'SCM Group'. The consolidation is in the view of common management, strong operational and financial linkages between the entities.

Key Rating Drivers

Strengths

Promoters' extensive experience in cotton yarn manufacturing segment; established track record of operations in Tamil Nadu and Telangana

Subburaaj Group is a family-owned business with the existence of more than four decades in the cotton yarn spinning industry. SCMPL was established with a spinning capacity of 12,000 spindles in 1980 by Mr. K. Venkatasamy as a partnership firm. In 2002, SCMPL was acquired by Mr. A. Saravanakumar (Grandson of Mr. K. Venkatasamy) in family settlement with nearly 20,000 spindles capacity. Over the years, Mr. Saravanakumar established the brand name of "Subburaaj" in both domestic and international markets and has actively taken part in the day-to-day operations of the group. In 2004, Mr. Saravanakumar incorporated VBYTPL for production of cotton yarn of finer counts. With a long track record of operations in Rajapalayam, SCM Group is one of the renowned cotton yarn manufacturer with a total spinning capacity of 1,97,088 spindles and 3,030 rotors along with 39.26 megawatt (MW) solar power for captive consumption. The promoter's extensive industry experience and established existence has helped the SCM Group to establish a long-standing relationship with its key suppliers and customers. Acuite believes that established track record of operations and long-standing relationship with customers and suppliers will continue to benefit the group over the medium term.

Improvement in profitability albeit decline in revenue:

SCM group registered revenue of Rs.445.26 Cr. in FY2024 reflecting a ~12.8 percent decline compared to previous year revenue of Rs.510.41 Cr. This decline in revenue in FY2024 was due to lower price realizations of yarn during the year. However, the decline in revenue was offset by lower raw material prices and cost savings from captive power, leading to improved operating profit margins. The EBITDA margin improved to 12.22 percent in FY2024 compared to 8.18 percent in FY2023. Consequently, despite higher depreciation and interest expenses, the PAT margin also improved for the year. During the first 6 months of FY2025, the group has registered revenue of Rs.259.52 Cr. and expected to close the year with the revenue in the range of Rs.470-490 Cr. Additionally, the group has registered operating profit of 14.67 percent during the 6MFY2025. The growth in revenue and operating profit margin is on account of better yarn realizations during the year.

Acuite believes that, the revenue of the group will improve further, supported by favourable market conditions, along with continued improvements in profitability driven by better realizations for yarn and savings from captive power.

Weaknesses

Moderately intensive working capital operations:

The working capital operations of the group are moderately intensive as reflected by the gross current assets (GCA) days of 134 days during FY2024 against 103 days in FY2023. The elongation in GCA days is due to high inventory days of around 83 days in FY2024. The group generally maintains high inventory levels required for 45-60 days with a view to ensure the quality of the cotton, resulting in higher inventory days. The debtor days of the group stood in the range of 25-40 days during past 3 years. The creditors days stood at 23 days in FY2024 against 15 days in FY2023. The moderate working capital operations have led to moderate utilization of the fund based working capital operations at ~69 percent during the past 12 months ending February 2025.

Acuite believes that the working capital cycle will continue to remain in the similar range over the medium term on account of the nature of industry.

Moderate financial risk profile:

SCM group's financial risk profile is moderate, marked by moderate net worth, moderate capital structure and debt protection metrics. The group's net worth stood at Rs.139.47 Cr. as on March 31, 2024 as compared to Rs.133.32 Cr. as on March 31, 2023. The improvement in net worth is due to accretion of profits to reserves during the period. The SCM group's leverage indicators have marginally deteriorated due to increase in overall debt levels to Rs.276.76 Cr. as on March 31, 2024 from Rs.248.76 Cr. as on March 31, 2023. The gearing and total outside liabilities to tangible net worth (TOL/TNW) levels stood at 1.98 times 2.26 times as of March 31, 2024 respectively compared to 1.87 times and 2.16 times as on March 31, 2023 respectively. The debt protection metrics stood moderate with DSCR and ICR of 1.02 times and 2.66 times respectively as on March 31, 2024 against 0.77 times and 2.48 times respectively as on March 31, 2023. Debt EBITDA also improved to 4.71 times as on March 31, 2024 from 5.43 times as on March 31, 2023. Acuite believes that the financial risk profile of the group will improve for FY2025 in absence of major debt funded capex.

Susceptibility to fluctuation in raw material prices:

SCM Group's profitability margins are susceptible to fluctuations in the prices of major raw materials such as domestic cotton (DCH 32, MCU 5) and Import cotton (Giza, Pima and Supima). Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall affects the availability of cotton in adverse weather conditions. Furthermore, any abrupt change in cotton prices due to supply-demand scenario and government regulations of changes in Minimum Support Price (MSP) can lead to distortion of prices and affect the profitability of players across the cotton value chain. Acuité believes that the group's business profile and financial profile can be adversely impacted on account of presence of inherent risk of susceptibility of volatility in raw cotton prices, since the industry is highly commoditized.

Rating Sensitivities

- Ability to sustain steady growth in scale of operations and profitability, while improving the financial risk profile.
- Lower than expected growth in scale of operations and profitability.
- Further stretch in working capital cycle leading to high dependence of bank borrowings and deterioration in liquidity position.

Liquidity position: Adequate

SCM group's liquidity remains adequate despite net cash accruals closely matching its debt obligations, supported by the moderate utilization of fund based working capital limits, which ensured cushion towards liquidity. The group registered cash accruals of Rs.34.29 Cr. in FY2024 against its repayment obligations of Rs.33.32 Cr. for the same period. The working capital operations are moderate as reflected by its Gross Current Asset (GCA) days of 134 days in FY2024. The group's fund based working capital limits were utilized at an average of 69 percent over the past 12 months ended February, 2025, ensuring a buffer for liquidity. The group's accruals are expected to be in the range of Rs50.00-60.00 Cr. for FY2025-2027 against its repayment obligations of Rs.27-33 Cr. during the same period. Acuité believes that the liquidity position of the group will remain adequate over the medium term with expected sufficient net cash accruals against the repayment obligations.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	445.26	510.41
PAT	Rs. Cr.	6.15	(1.70)
PAT Margin	(%)	1.38	(0.33)
Total Debt/Tangible Net Worth	Times	1.98	1.87
PBDIT/Interest	Times	2.66	2.48

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

- 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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	
05 Jan 2024	Cash Credit	Long Term	36.80	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	44.58	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.28	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	16.90	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	7.10	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	17.80	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	2.70	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.09	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	11.14	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	21.70	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.47	ACUITE BBB	Stable (Reaffirmed)
07 Oct 2022	Cash Credit	Long Term	20.80	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	21.70	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	53.60	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	2.86	ACUITE BBB	Stable (Assigned)
	Working Capital Term Loan	Long Term	7.33	ACUITE BBB	Stable (Assigned)
	Working Capital Term Loan	Long Term	0.21	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	13.00	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	6.38	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	7.10	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	19.21	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	7.17	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.90	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.74	ACUITE BBB	Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	36.80	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.70	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2027	7.39	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2029	14.90	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2029	1.99	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2029	34.98	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2030	21.20	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2031	21.83	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Mar 2025	0.57	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jun 2024	3.09	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2026	1.93	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	5.62	Simple	ACUITE BBB Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Subburaaj Cotton Mill Private Limited
2	Veebee Yarnntex Private Limited

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About Acuité Ratings & Research

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