

Press Release

Sivasubramania Textiles

May 05, 2023

Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|--------------------------------|-------------------|
| Bank Loan Ratings | 14.62 | ACUITE BBB Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 14.62 | - | - |

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB**'(read as **ACUITE triple B**) to the Rs.14.62 Cr bank facilities of Sivasubramania Textiles Private Limited. The Outlook is '**Stable**'.

Rationale for Rating :

The rating assigned favorably factors in the established track record and experience of the promoters, moderate financial risk profile and improved operations of the group. The group's revenue stood at Rs.236.07Cr as per YTD till March 31, 2023 as against Rs.241.79Cr in previous year. The debt protection metrics stood healthy with Interest Coverage Ratio (ICR) and Debt service coverage ratio (DSCR) of 4.73 times and 1.96 times respectively as on March 31, 2023. Going forward the group's ability to improve the revenue while maintaining healthy EBITDA margins and improving financial risk profile will be a key monitorable aspect.

About Company

Established in 1985 Sivasubramania Textiles is a partnership firm engaged in manufacturing of cotton, yarn and cloth. It also generates wind power energy. Mr. Venkatasamy Sampathkumar and Mr. Venkatasamy Ramamoorthy are the partners of the firm. Its registered office is in Coimbatore.

About the Group

Siva subramania textiles private Limited (SST), Vellingiri andavar textiles (VAT) and CNV textiles are the group companies managed by two brothers C.V. Ramamoorthy and C.V Sampath Kumar. The promoter of the group C.N Venkataswami during 1985 incorporated CNV textiles as a ginning factory. Later, diluted into Siva subramania textiles and Vellingiri andavar Textiles and started Yarn manufacturing. The group produces yarn of 20s to 80s counts and compact yarn .Currently the group has the production capacity of 100,000 spindles and 10 rotors. The group has its own wind mills which can produce 10 M.W of electricity. Apart from these the group also have solar electricity system (Including ground mounted and rooftop)which can produce around 18 M.W electricity these contribute around 90% of the power usage of the group.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered consolidated approach of Siva subramania textiles private Limited (SST), Vellingiri andavar textiles (VAT) and CNV textiles, for the same line of business, having common promoters and have significant intercompany transactions.

Key Rating Drivers

Strengths

Established track record and improving operations:

The promoter of the group C.N Venkataswami during 1985 incorporated CNV textiles as a ginning factory. Later, diluted into Siva subramania textiles and Vellingiri andavar Textiles and started Yarn manufacturing. Siva subramania textiles private Limited (SST), Vellingiri andavar textiles (VAT) and CNV textiles are the group companies managed by two brothers C.V. Ramamoorthy and C.V Sampath Kumar. The promoters have experience of more than 2 decades in the textile industry. The group has reported significant improvement in revenue for FY22 of Rs.241.79 Cr against Rs.139.98Cr in FY21. This improvement is mainly due to increased production as the production capacity has increased to 100,000 spindles in FY22 from 75,00 spindles in Previous year and increase in yarn realisation rate. As per FY23 YTD figures the group has reported revenue of Rs.236.07Cr.

Acuite believes that the group will continue to benefit from the partners experienced presence in the textile industry.

Above average Financial Risk Profile:

Financial risk profile of the group is above average marked by moderate Net worth, healthy gearing and debt protection metrics. Net worth of the group stood at Rs.84.85Cr as on March 31, 2022 as against Rs.56.02Cr in the previous year. Gearing of the company healthy, which stood at 1.16times as on March 31, 2022 which was slightly deteriorated from 0.65 times in the past year ending March 31, 2021 due to of debt funded capex. Debt protection metrics of the company are healthy with Interest coverage ratio and debt service coverage ratio at 6.92 times and 3.49 times respectively as on March 31, 2022 against 7.58 times and 4.63 times respectively in previous year. Debt to EBITDA stood high at 3.55 times as on March 31, 2022 against 5.67 times as on March 31, 2021.

Acuite believes that financial risk profile of the company will remain above average in the medium term in the absence of any major capex plan.

Weaknesses

Moderately Managed working capital cycle:

The group working capital is moderately managed which is evident from the Gross Current Assets (GCA) days in the range of 108 -113 days. GCA days stood at 113 days for FY22. Inventory days are in the range of 46- 61days ending FY22. The group maintains 45 – 60days of raw material inventory required production. Debtor days and creditor days are in the range of 30 – 40 days. Generally, the group allows a credit period of 30 days for its customers and similarly avails 30 days' credit policy from suppliers. Debtor and creditor days are expected to remain in the similar range in the medium term.

Acuite believes that the working capital operations of the group will remain moderately intensive in the medium term.

Intense competition in the industry

The industry is highly fragmented, comprising several small and mid-sized players and the operating margins are susceptible to changes in cotton and yarn prices which are highly volatile.

Rating Sensitivities

- Sustainable improvement in revenue while improving operational and profitability margins.
- Further decline in operating and profitability margins.
- Any plans of large debt funded capex leading to deterioration of financial risk profile.

Material Covenants

None

Liquidity Position : Adequate

Liquidity position of the group is adequate as the group has sufficient Net cash accrual (NCA's) against its debt repayment. The group has generated NCA's of Rs.21.90 ending FY22 against the debt repayments of Rs.3.25Cr for the same period. The Current ratio of the company has improved to 2.16 times as on March 31, 2022 against 1.96 times as on previous year. The company has unencumbered cash and bank balances of Rs.0.08Cr as on March 31, 2022. The bank Limits utilization stood moderately at 36.5 percent in the past 12 months ending January 31, 2023. The group's liquidity position is likely to remain adequate in the medium term with NCA's estimated to be in the range of Rs.16Cr to Rs.21Cr against debt repayments estimated to be in the range of Rs.6.5Cr to 10Cr for the same period. The current ratio is estimated to be in the range of 2.5-2.75 times in the medium term.

Outlook: Stable

Acuité believes that group will continue to benefit over the medium term due to its experienced management and established relation with its suppliers and customers. The outlook may be revised to 'Positive', in case of continued traction in total operating income and sustainable profitability given the limited capacity available with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads 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. | 241.79 | 139.98 |
| PAT | Rs. Cr. | 15.17 | 11.94 |
| PAT Margin | (%) | 6.27 | 8.53 |
| Total Debt/Tangible Net Worth | Times | 1.16 | 0.65 |
| PBDIT/Interest | Times | 6.92 | 7.58 |

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->

- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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:

Not Applicable

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|-------------|------------------|----------------|----------------|------------------|-------------------|--------------------------------|
| Catholic Syrian Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 10.00 | ACUITE BBB Stable Assigned |
| Axis Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 4.62 | ACUITE BBB Stable Assigned |

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About Acuité Ratings & Research

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