

Press Release

Santhi Processing Unit Private Limited

October 06, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	25.50	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	29.50	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	67.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has Reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.12.50 Cr bank facilities of Santhi Processing unit Private Limited (SPUPL). The Outlook is '**Stable**'. The long term rating of **ACUITE BBB-** (read as **ACUITE triple B minus**) Short term rating of **ACUITE A3** (read as **ACUITE A three**) has been assigned on additional Rs.55.00 Cr bank facilities of Santhi Processing unit. The outlook is '**Stable**'.

The rating assigned favorably factors in its improved operations and profitability margins, improved GCA days and debtor days. The rating however is constrained Susceptibility to volatile raw material prices.

About the Company

Santhi Processing Unit Private Limited (SPUPL) was established in 1980 by Mr. S. Duraisamy and was later reconstituted to a private limited company in 2000. In 1994, SPUPL has established its own yarn dyeing and fabric dyeing unit. Fabric finishing division was established in 1996. Presently, SPUPL is a fully integrated textile manufacturing unit (Spinning to Fabric Finishing) . The manufacturing unit is located in Tamil Nadu

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Santhi Processing Unit Private Limited (SPUPL) to arrive at the rating.

Key Rating Drivers

Strengths

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Established track record and improving operational metrics:

Santhi Processing Unit Private Limited (SPUPL) is promoted by Mr. Durai swami having vast experience of 40 years in the textile industry. The company has developed a strong customer base both in the domestic and export market. The company has shown significant improvement in revenue for FY22 as the company generated revenue of Rs.329.39 Cr (Provisional), while sales for FY21 stood around Rs.129.14 Cr. This significant improvement in revenue is mainly due to increase in realisation value of yarn (Average rate of yarn increased to Rs. 266 per kg in FY22 vis-à-vis Rs.185 per Kg in FY21) coupled with higher sale of looms which were manufactured on job work basis. This was done to capture the increased demand of fabrics in the market and yield higher margins. Acuite Believes that SPUPL will continue to benefit from the partners established presence in the textile industry.

Above-average financial risk profile:

SPUPL's financial risk profile is above average marked by moderate net worth, healthy gearing (debt-to equity), and moderate total outside liabilities to total net worth (TOL/TNW) and healthy debt protection metrics. SPUPL's net worth is moderate at Rs. 59.09 Cr as on March 31, 2022 (Provisionals) as compared to Rs.52.63 Cr as on March 31, 2021. Gearing is healthy at 0.78 times as on March 31, 2022(Provisional). TOL/TNW is moderate at 1.22 times as on March 31, 2022(Provisionals) against 1.37 times as on March 31, 2021. Interest coverage ratio improved to 3.16 times as on March 31, 2022(Provisional) from 2.81 times on March 31, 2021. Debt service coverage ratio(DSCR) stood at 1.54 times as on March 31, 2022(Provisional). Acuite believes that financial risk position of SPUPL will improve over the medium term.

Efficiently managed working capital cycle

SPUPL's working capital management is moderate marked by its gross current asset (GCA) of 72 days as on March 31, 2022 (Provisional) against 106 days as on March 31, 2021. Debtors days stood at 24 days as on March 31, 2022(Provisional) as compared to 70 days as on previous year end. Creditor days stood at 26 as on March 31, 2022(Provisional). Current Ratio Stood at 1.37 times as on March 31, 2022 (Provisional) against 1.49 times as on previous year end. Acuite believes that working capital management of the company will remain efficient over the medium term.

Weaknesses

Intense competition in the industry

The textile 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. The activities in textiles range from the production of natural raw materials such as cotton, jute, silk and wool to the manufacture of quality products such as viscose fibre, synthetic filament and spun yarn. The industry is often plagued by obsolescence, unhealthy regulations. This emphasises the need for strengthening the management mechanism in the industry, to face the emerging challenges. SPUPL is currently incurring capex around Rs.8.00 Cr for Solar Power which could cover upto 60% of the electricity usage, however, the management has no plans to incur any capital expenditure on its existing spindle capacity of 14,600 spindles , 3 vortex machines and 80 looms. This could lead to increase in dependency on job work of the yarn to fabric to maintain the current revenue levels around Rs.300 Cr. Acuite believes that SPUPL have the experienced management to overcome these demand and price related fluctuations.

Rating Sensitivities

- Improvement in working capital cycle
- Sustainability of revenue and profitability through dependency on job work
- Any further deterioration in working capital management leading to deterioration in financials risk profile

Material covenants

None

Liquidity : Adequate

SPUPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.12.88Cr for FY22, with debt repayment obligations of Rs.5.89Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.18Cr – Rs.20Cr over the medium term. The firm's working capital operations are moderate, marked by GCA of 72 days for FY22. Unencumbered cash and bank balances stood at Rs.0.01 crore as on March 31, 2022. The current ratio of the firm stood at 1.37 times in FY22. Bank limits utilization of SPUPL stood high at ~91.09 percent over the past 12 months ending 30 April, 2022. Acuité believes that the liquidity position of the firm is likely to remain adequate on account of adequate cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuité believes that SPUPL 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 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	329.22	129.14
PAT	Rs. Cr.	6.40	2.66
PAT Margin	(%)	1.94	2.06
Total Debt/Tangible Net Worth	Times	0.78	0.94
PBDIT/Interest	Times	3.16	2.81

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
16 Jun 2022	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Assigned)
10 Oct 2016	Term Loan	Long Term	0.15	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	1.14	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	2.95	ACUITE BB- Stable (Suspended)
	Cash Credit	Long Term	14.00	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	1.62	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	0.95	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	4.00	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	21.90	ACUITE BB- Stable (Suspended)
	Term Loan	Long Term	4.10	ACUITE BB- Stable (Suspended)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Suspended)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Suspended)
17 Jul 2015	Letter of Credit	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	1.62	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.95	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	1.14	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	2.95	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.15	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	21.90	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	4.10	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BB- Stable (Upgraded from ACUITE B- Stable)
	Term Loan	Long Term	1.62	ACUITE BB- Stable (Upgraded from ACUITE B- Stable)
	Term Loan	Long Term	0.95	ACUITE BB- Stable (Upgraded from ACUITE B- Stable)

29 Jun 2015		Long		ACUITE BB- Stable (Upgraded from
	Term Loan	Term	1.14	ACUITE B- Stable)
	Term Loan	Long Term	2.95	ACUITE BB- Stable (Upgraded from
	Term Loan	Long Term	0.15	ACUITE B- Stable)
	Term Loan	Long Term	4.00	ACUITE BB- Stable (Upgraded from
	Letter of Credit	Short Term	2.00	ACUITE B- Stable)
07 Mar 2014	Bank Guarantee	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE B- Stable (Upgraded from
	Term Loan	Long Term	1.62	ACUITE B- Stable (Upgraded from
	Term Loan	Long Term	0.95	ACUITE B- Stable (Upgraded from
	Term Loan	Long Term	1.14	ACUITE B- Stable (Upgraded from
	Term Loan	Long Term	2.95	ACUITE B- Stable (Upgraded from
	Term Loan	Long Term	0.15	ACUITE B- Stable (Upgraded from
	Term Loan	Long Term	4.00	ACUITE B- Stable (Upgraded from
	Letter of Credit	Short Term	2.00	ACUITE A4 (Upgraded from ACUITE D)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Upgraded from ACUITE D)
17 Sep 2013	Term Loan	Long Term	7.72	ACUITE D (Assigned)
	Cash Credit	Long Term	6.00	ACUITE D (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE D (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE D (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 Assigned
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.07	ACUITE BBB- Stable Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.51	ACUITE BBB- Stable Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.55	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.10	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.13	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.53	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.24	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.87	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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