



Press Release

Saravana Selvarathnam Retail Private Limited

March 17, 2021

Ratings

Sr. No.	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund Based Facility – Cash Credit	130.00	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)
2	Long Term Fund Based Facility – Term Loans	4.38	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)
3	Long Term Fund Based Facility – Term Loans (GECL)	26.60	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)
Total		160.98	

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings assigned to the bank facilities of Saravana Selvarathnam Retail Private Limited (SSRPL or the company) takes into account its established track record of group and extensive experience of promoters, healthy financial risk profile and good scale of operations. These are partially offset by working capital intensive operations, exposure to intense competition and geographical concentration in the retailing industry.

Key Rating Sensitivities

- Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis.
- Improvement in the operating cycle leading to improvement in liquidity.



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- **Downward Factors**

- Dip in operating income and/or profitability along with prolonged impact of Covid-19 adversely affecting the company's financial performance and liquidity position.
- Stretch in the working capital cycle driven by pile-up of inventory and/or sizeable capital expenditure weakening the financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of group and extensive experience of promoters -** Saravana stores has been in retail business for over more than 4 decades. Saravana Selvarathnam Retail Private Limited is a part of Saravana Selvarathnam group, which is largest family-owned enterprise in Tamil Nadu. The promoters have an extensive experience in the retail market and have wide reputation in retail market segment. The "Saravana Selvarathnam Stores" has a wide brand presence in the state of Tamilnadu and majorly targets low and middle-income customers. They offer low price and reasonable quality products with a variety of discounts and deals everyday thus providing value for money shopping to the customers. The company has strong procurement linkages owing to large scale of operations, and commands pricing of cost-plus-nominal mark-up from manufacturers.
- **Healthy financial risk profile** -The Company's financial risk profile is healthy, marked by tangible net worth including quasi equity of Rs 208.55 crore. The company has overall low gearing of 0.76x and moderate debt protection metrics with ISCR at 1.81x as of 31st March 2020. The TOL/TNW has also remained low at 1.21 times as on March 31st, 2020. The Company has shown continuous improvements in profitability margin over the past 4 years and has improved from 4.71% to 6% levels.
- **Good scale of operations**- The scale of operations is large and is recorded sales of Rs. 460.20 crore in FY2020 as against Rs. 438.53 crore in FY2019. In view of the possible impact of COVID-19, both by way of the halt in operations and the lower demand from the end-users, the company has estimated a muted growth in turnover



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for FY2021. As of Dec 2020 (prov), company was able to record sales of Rs. 256.82 crore and EBIDTA of Rs. 15.41 crore.

B. Key Rating Weaknesses

- **Working capital intensive operations** - The Company's operations are working capital intensive as the company maintains inventory of over 6-7 months, resulting in an elongated working capital cycle. This increases the company's dependence on working capital facilities to meet its funding requirements. Hence the average utilization is almost fully utilized. However, introduction of newer stores and product variants will help to achieve sales growth for the company.
- **Exposure to intense competition and geographical concentration in the retailing industry** – The Company has shopping complexes on the high streets of Chennai, which are flooded with small and large players in the same line of business. It faces intense competition in terms of product quality and pricing, which leads to continuous pricing pressure, affecting its margins.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity is adequate as the company is expected to generate steady cash accrual over the near medium term against minimal repayment obligation. The company operations are highly working capital intensive as marked by Gross Current Assets (GCA) of 189 days in FY2020. This is majorly because of the high inventory days of 186 days which is standard as per the industry segment. However, this has led to high reliance on working capital borrowings which were utilised at 97.48% during the last 12 months period ended December 2020.



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About the Company

Saravana Selvarathnam Retail Private Limited (SSRPL), is the flagship company of well-known Saravana Selvarathnam Group and was incorporated in 2005 with its registered office at Chennai, Tamil Nadu. The existing showrooms under this company are located at Ranganathan Street, Usman Road, Natesan Street in Chennai and in Oppanakara Street, Coimbatore.

The company is engaged in trading of jewellery, garments, vessels, day to day household consumable goods, fruits and vegetables and groceries. The company has a multi-storeyed shopping mall spread over 100,000 Sq.ft with 5 floors. The company's tagline 'Good Quality at Reasonable Cost' is much attractive that the customers in Chennai always prefer low price products which offer reasonable quality.

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	438.53	460.20
EBITDA	24.24	27.26
PAT	4.00	5.45
Tangible Net worth	192.06	197.15
Adjusted Tangible Net worth	158.92	175.35
EBITDA Margin (%)	5.53	5.92
PAT Margin (%)	0.91	1.18
Overall Gearing Ratio (x)	0.87	0.76

*As per Infomerics Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	130.00	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)	NA	NA	NA
2	Term Loans	Long Term	4.38	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)	NA	NA	NA
3	Term Loans (GECL)	Long Term	26.60	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)	NA	NA	NA
Total			160.98				



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	Revolving	130.00	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)
Long Term Bank Facilities - Term Loan	-	-	March 2022	4.38	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)
Long Term Bank Facilities - GECL Term Loan	-	-	March 2026	26.60	IVR BBB/ Credit Watch with Developing Implications/ (IVR Triple B under Credit Watch with Developing Implications)
Total				160.98	