



Press Release

Sri Vasudeva Textiles Private Limited [SVTPL]

March 22, 2021

Rating

Sl. No	Instrument/Facility	Amount (INR Crore)	Ratings	Rating Action
1	Long Term-Fund Based-Term Loan	30.48	IVR BB+/ Stable outlook (IVR Double B Plus with Stable outlook)	Assigned
2	Long Term-Fund Based-Cash Credit	30.00	IVR BB+/ Stable outlook (IVR Double B Plus with Stable outlook)	Assigned
	Total	60.48		

Details of facilities are in Annexure 1

Rating Rationale

The aforesaid ratings assigned to the bank facilities of Sri Vasudeva Textiles Private Limited derives strength from experienced promoters with long track record of group's operation, Strong clientele base due to long presence in textile sector, Incremental benefits from integrated nature of operations and Healthy EBITDA margin. The rating however is constrained by modest scale of operations, Moderate capital structure & debt protection metrics, Working capital intensive nature of operation and Intense market competition & exposure to fluctuations in raw material prices.

Key Rating Sensitivities:

Upward Rating Factor:

- Significant growth in revenue along with improvement in profitability leading to overall improvement in cash accruals and debt protection metrics on a sustained basis.
- Effective working capital management leading to improvement in operating cycle and liquidity.

Downward Rating Factor:

- Decline in revenue and/or profitability impacting the debt protection metrics.
- Any further elongation in the operating cycle impacting the liquidity.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and long track record of group's operation

The promoters of the group are well qualified and possesses an extensive experience in the line of activity. Mr. E.N. Sivasamy, Mr. E.S. Sidharth Gowtham and Mr. E.S. Ashok who are spearheading the group, are having combine experience of more than five decades in the textile sector. The affairs of the group are managed by a team of well experienced professionals who are experts in their respective fields.

Strong Clientele Base due to long presence in textile sector

Sri Vasudeva group has a long presence of around five decades. Sri Vasudeva Textile private limited was incorporated way back in 1956 and is a cotton and melange yarn manufacturer. The long presence in the industry gives group an edge as compared to new entrants while dealing with supplier and customers. Further, Company has created its own repute in the market by offering quality product.

Incremental benefits from integrated nature of operations

The group has integrated nature of operations in the form of both yarn manufacturing and fabric manufacturing. Part of the product (yarn) manufactured by SVTPL are used as a raw material by SVWMPL. Integrated nature of operation helps company is saving logistics cost and hence provide an edge over their competitor.

Healthy EBITDA margin

Shri Vasudeva Group have a healthy EBITDA Margin of around 15-20% in last three years ended 31st March 2020. The operating margins are good at group level due to interlinkages of business and proximity to raw materials leading to low logistic cost.

Key Rating Weaknesses

Modest scale of operation

Total operating income (TOI) of the group remained modest in last three years ended FY20. Total operating income of the group is Rs. 90.85 Crore in FY20. There was a decline in total revenue at group level in FY20 from Rs. 128.04 Crore in FY19 due to Covid-19 led



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disruptions in the last quarter of FY20. However, the Group has reported an EBITDA margin of 20.08% in FY20 as against 14.10% in FY19. The group has achieved a top line of INR79.75 crore in 9MFY21 and has projected a top line of INR106.74 cr for FY21. The expected weakening of ongoing pandemic headwinds will lead to improvement in overall performance of the group in FY22.

Moderate capital structure & debt protection metrics

Vasudeva Group have moderate capital structure reflected by an overall gearing of 3.44 times as on March 31, 2020 and total debt to EBITDA of 5.74 times as on March 31, 2020 and total debt to GCA of 10.79 x in FY20. Interest coverage stood at 2.02x as on March 31, 2020. On standalone level Long term Debt to Equity ratio for SVTPL stood at 1.84x and interest coverage stood at 1.83x as on March 31, 2020.

Working Capital Intensive nature of operation

Operations of the group are working capital intensive marked by Average collection period of 144 days and average inventory days of 183 days as on 31st March 2020. There is also an increase in operating cycle from FY19 to FY20 i.e., 155 days in FY20 (FY19:102 days).

Intense market competition and exposure to fluctuations in raw material prices

The company operates in a highly competitive and fragmented textile industry with several organised and unorganised players which leads to intense competition. The volatility in the raw material prices & time lag of passing the movement in cost of production to its customers may impact the profitability of the group adversely.

Analytical Approach

Consolidated: For arriving at the ratings, Infomerics has taken the consolidated approach by combining the financial profile of Sri Vasudeva Textiles Private Limited and Shri Vasudeva Weaving Mills Private Limited, collectively referred to as the Vasudeva group, as both the companies are having common promoters & management team and business integration.

Extent of Consolidation-Full



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Applicable Criteria:

- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The group has a stretched liquidity position marked by a current ratio of 0.90 times as on 31st March 2020. Overall cash accruals match tightly to meet the repayment obligation in FY20. The average fund based working capital utilisation is almost full during the last twelve months ended February 2021.

About the company

About Sri Vasudeva Textiles Private Limited

Sri Vasudeva Textiles Limited was incorporated in the year 1956 is a Coimbatore based spinning mill with an installed capacity of 27500 spindles.

About Shri Vasudeva Weaving Mills Private Limited

Located in Coimbatore, Shri Vasudeva Weaving Mills Private Limited incorporated is engaged in the weaving of fabrics with a count ranging from 60s to 100s (for suiting fabrics) and 30s to 120s cotton (for shirting and bottom weight fabrics) with installed capacity of 96 lakh meter per annum.

Financials (Consolidated)

(INR crore)

For the year ended / As on*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	128.04	90.85
EBITDA	18.06	18.24
PAT	0.91	0.71
Total Debt	109.07	104.69
Tangible Net Worth	29.70	30.42
EBIDTA Margin (%)	14.10	20.08
PAT Margin (%)	0.71	0.78



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Overall Gearing ratio (x)	3.67	3.44
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**Classification as per Infomerics' standards*

Financials (Standalone) of SVTPL

(INR crore)

For the year ended / As on*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	97.35	66.62
EBITDA	11.17	12.05
PAT	0.17	0.35
Total Debt	71.70	69.21
Tangible Net Worth	18.14	18.53
EBIDTA Margin (%)	11.47	18.09
PAT Margin (%)	0.17	0.52
Overall Gearing ratio (x)	3.95	3.74

** Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA:

Brickwork Ratings vide its press release dated March 23, 2020 has classified the case under Issuer Not Cooperating category on account of non-submission of relevant information.

India Ratings & Research vide its press release dated September 27, 2018 has classified the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	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.	Term Loan	Long Term	30.48	IVR BB+/ Stable outlook (IVR Double B Plus with Stable	--	--	--



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				outlook)			
2.	Cash Credit	Long Term	30.00	IVR BB+/ Stable outlook (IVR Double B Plus with Stable outlook)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on 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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factor



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Annexure 1: Details of Facilities

Sr. No	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term-Fund Based - Term Loan	--	--	August-2029	25.48	IVR BB+/Stable Outlook
2	Long Term-Fund Based - Cash Credit	--	--	--	30.00	IVR BB+/Stable Outlook
3	Long Term-Fund Based - Working Capital Term Loan	--	--	June-2026	5.00	IVR BB+/Stable Outlook