



Press Release

Saravana Selvarathnam Retail Private Ltd

September 14, 2023

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term- Fund Based Bank Facility	147.17 (Reduced from Rs.160.98 crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Revised and removed from ISSUER NOT COOPERATING Category	Simple
Total	147.17	Rupees One Hundred Forty-Seven Crore and Seventeen Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics had migrated the Rating assigned to bank facilities of Saravana Selvarathnam Retail Private Limited (SSRPL) to the 'ISSUER NOT COOPERATING' category vide press release dated June 16, 2022 because of non-receipt of information for monitoring the rating. Subsequently, the company has provided the requisite information. Based on this, Infomerics has removed the rating from the 'ISSUER NOT COOPERATING' category.

The revision in ratings assigned to the bank facilities of SSRPL takes into account Increase in scale of operation with moderate EBITDA margin along with comfortable capital structure and satisfactory interest coverage indicator.

The rating continues to derive comfort from established track record of group and extensive experience of promoters.

The rating however is restricted by the working intensive nature of operation, thin PAT margin and modest debt coverage indicator followed by exposure to intense competition and geographical concentration in the retailing industry.

Key Rating Sensitivities:



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Upward Factors:

- Maintain capital structure marked by overall gearing below 1x and Improve debt protection marked by total debt to GCA below 7x on a sustained basis.
- Maintain its EBITDA margin of around 8% on a sustained basis.

Downward Factors:

- Any elongation in working cycle which impacts liquidity indicator fall below unity.
- Weaker-than-anticipated sales performance and lower-than-expected collections.

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 Pvt Ltd is a part of Saravana 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 Tamil Nadu 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.

Increase in scale of operation

The Total operating income of the company stood at Rs. 303.94 crore in FY22 as against Rs.320.83 crore in FY21 due to nationwide Covid19 impact. However, the TOI increased to Rs.379.03 crore in FY23(Prov.) on account of increase in traded good sold during the year. The company had achieved almost 50% of total sales from readymade garment and plastic items, 40% of total sales is from sales of Jewellery, and remaining 10% through sales of electronics, footwears and fruits and vegetables respectively.

Moderate EBITDA margin

The EBITDA margin of the company stood at 5.93% in FY22 as against 6.60% in FY21 due to subdued sales during the year. The EBITDA margin moderated to 6.52% in FY23(Prov.) due to moderate increase in gross profit from Rs.18.02 crore to Rs.24.72 crore led by better sales volume.

Comfortable capital structure and satisfactory interest coverage indicator



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Company's capital structure marked by overall gearing stood comfortable at 0.82x as on March 31, 2021 and moderated to 0.72x and 0.73x as on March 31, 2022 and March 31, 2023(Prov.) respectively. The overall gearing improved on account of accretion of profit and healthy tangible net worth base as on balance sheet date.

Despite increase in outstanding sundry creditors on Y-O-Y basis from Rs. 60.29 crore in F22 to 68.19 crore in FY23(Prov.) the TOL/TNW (book TNW) remained comfortable at 1.16x as on March 31, 2023 as against 1.09x as on March 31, 2022.

The interest coverage ratio stood satisfactory at 1.23x in FY21, 1.24x in FY22 and 1.70x in FY23(Prov.) despite fluctuation in EBITDA owing to retail nature of business.

Key Rating Weaknesses:

Working capital intensive operations

Being in retail business, the company is into working capital intensive nature of operation, indicated by its higher inventory period. The purchases are backed by a post-dated cheque mechanism to the creditors and thereby creditor are settled within 30 days. The inventory period are hold up to 6 months due to retail nature of business. On sale collection are based on upfront cash basis. Above all the operating cycle stood at 162 days in FY22. The average utilization of working capital of the firm for last twelve month remained 97 % for the last month ended May, 2023.

Thin PAT margin and modest debt coverage indicator

The PAT margin of the company remained in bracket of 0.42%-0.52% in FY21- FY22 due to fluctuation in interest expense. However, the PAT margin moderated to 1.35% in FY23(Prov.) due to overall increase in operating profit.

The debt coverage indicators marked by total debt to GCA stood modest at 48.81x in FY21 and 49.10x in FY22 due to lower cash accruals. However, the ratio moderated to 22.63x in FY23(Prov.) albeit remained modest on account of increase in cash accrual base from Rs.2.91 crore in FY22 to Rs.6.57 crore in FY23(Prov.) backed by increase in net profit during the year.

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.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology of Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Guidelines on What Constitutes Non-cooperation by clients](#)

[Criteria for rating outlook](#)

Liquidity-Adequate

SSRPL's liquidity appears to be adequate with current ratio of 1.38x as on March 31, 2023 as against 1.53x as on March 31, 2022 (1.59x as on March 31, 2021). Gross Cash Accruals (GCA) of the company moderated at Rs.6.57 crore in FY23 as against Rs.2.91 crore in FY22 (Rs.3.35 crore in FY21). The company's cash and bank balance stood at Rs.0.68 crore in as on March 31, 2023(Prov.) viz-a-viz cash and bank balance of Rs.1.46 crore as on March 31, 2022 (Rs.2.97 crore in FY21). The average utilization of working capital of the firm for last twelve month remained 97 % for the past 12 month ended May, 2023.

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 four 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.

Financials: Standalone

For the year ended / INR. Crore*	31-03-2021	31-03-2022	31-03-203
	Audited	Audited	Provisional
Total Operating Income	320.83	303.94	379.03
EBITDA	21.16	18.02	24.72
PAT	1.68	1.28	5.11



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Total Debt	163.56	143.02	148.62
Tangible Net Worth	198.61	199.68	204.61
Ratios			
EBITDA Margin (%)	6.60	5.93	6.52
PAT Margin (%)	0.52	0.42	1.35
Overall Gearing Ratio (x)	0.82	0.72	0.73

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 16 th , 2022)	Date(s) & Rating(s) assigned in 2021-22 (March 17 th 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	130.00	IVR BBB-/ Stable	IVR BB+; Issuer not cooperating	IVR BBB/Credit Watch with Developing Implications	-
2.	Term Loan	Long Term	17.17	IVR BBB-/ Stable	IVR BB+; Issuer not cooperating	IVR BBB/Credit Watch with Developing Implications	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Amit Bhuwania

Tel: Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	130.00	IVR BBB-/Stable
Term Loan	-	-	May 2026	17.17	IVR BBB-/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ssr-sep23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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

