



Press Release

Saravana Selvarathnam Retail Private Limited (SSRPL)

November 13, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|-----------------------|---|---|---|---------------|--------------------------------------|
| Long Term Facilities | 80.00 (Reduced from 147.17) | IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook) | IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook) | Reaffirmed | Simple |
| Total | 80.00 (Rupees Eighty Crore only) | | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings by Infomerics Ratings to the bank facilities of Saravana Selvarathnam Retail Private Limited continues to derive comfort from established track record of group and extensive experience of promoters, steady growth in operating revenues and moderate profitability, Comfortable capital structure and satisfactory interest coverage indicator. The rating is however constrained by working capital intensive nature of operation, Thin PAT margin and modest debt coverage indicator and Exposure to intense competition and geographical concentration in the retailing industry

The stable outlook reflects the fact that the entity will continue to benefit from its track record of group and extensive experience of management and moderate scale of operation.

The rating for Rs 17.17 crore Term Loan (GECL) has been withdrawn based on the client request and receiving of 'No Due Certificate' from the banker. The rating is withdrawn which is in line with 'Infomerics' policy on withdrawal.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in total operating income and EBITDA margins leading to improvement in debt protection metrics & capital structure.

Downward Factors



Press Release

- Any decline in total operating income and/or EBITDA margins or elongation in the working cycle which impacts liquidity indicator.
- Weaker-than-anticipated sales performance and lower-than-expected collections.

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 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.

Steady growth in operating revenue and moderate EBITDA margin

The company's top line is on a steady increase with a growth rate of ~10% in FY24(Audited) (refers to period April 1st, 2023, to March 31st, 2024) on account of increase in traded goods. From FY22 to FY24 revenue grew at a CAGR of ~9%. The company had achieved almost ~43% of total sales from readymade garment and plastic items, ~48% of total sales is from sales of Jewellery, and remaining 9% through sales of electronics, footwears and fruits and vegetables respectively. The EBITDA margin of the company stood moderate at 6.49% in FY24 as against 5.82% in FY23 (refers to period April 1st, 2022, to March 31st, 2023). The EBITDA margin has improved due to better realization led by increase in price of traded goods which led to increase in gross profit from Rs 22.04 crore to Rs 27.07 crore led by better sales volume.

Comfortable capital structure and satisfactory interest coverage indicator



Press Release

Company's capital structure marked by overall gearing stood comfortable at 0.95x as on March 31, 2024, moderated as against 0.88x as on March 31, 2023, respectively. The overall gearing moderated on account of increase in the total debt. Further, the total indebtedness of the company as reflected by TOL/TNW improved from 1.27x as on March 31, 2024, to 1.08x as on March 31, 2024. Interest coverage ratio moderated and stood at 1.23x in FY24 against 1.25x in FY23 led by increase in interest cost. Infomerics believes the capital structure & debt protection metrics will improve in FY25 & beyond due to ramp up of sales considering current industry trend and demand from economy for the diversified retail products, as it would be achievable based on the Company's record of past four years. Due to which the company's profitability is also expected to boost, with reduction in interest costs, following as the company has repaid all its term loan borrowings, the focus will remain on maintaining existing working capital limits. The company has notably reduced its limits following the exit from the Coimbatore market. Going forward, the company plans to adopt a "mall-style" format where all offerings—from Jewellery to provisions—will be housed under one roof.

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 181 days in FY24. The average utilization of working capital of the firm for last twelve month remained ~90% for the last month ended September 2024.

Thin PAT margin and modest debt coverage indicator

The PAT margin remain stable at 0.68% FY24 and FY23 led by stabilization in price of traded goods. The debt coverage indicators marked by total debt to GCA stood modest at 43.35x in FY23 and 41.38x in FY24 due to lower cash accruals. The DSCR remains below unity and stands at 0.91x in FY24, the repayment obligation was met through infusion of funds by promoters from Rs 20 crore and also from sale of asset, the unsecured loan would be paid in current FY25. The DSCR is expected to improve from FY26 onward as the company has



Press Release

prepaid term loans in FY24 which in turn will reduce its finance cost, also there are no outstanding term loans.

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](#)

[Criteria of assigning rating outlook](#)

[Policy on Default recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

[Criteria on withdrawal on ratings](#)

Liquidity – Adequate

SSRPL's liquidity appears to be adequate with current ratio of 1.64x as on March 31, 2024, as against 1.48x as on March 31, 2023. Gross Cash Accruals (GCA) of the company moderated at Rs 3.95 crore in FY24 as against Rs 3.43 crore in FY23. The company's cash and bank balance stood at Rs 4.53 crore in as on March 31, 2024. The average utilization of working capital of the firm for last twelve month remained ~90% for the past 12 month ended September 2024.

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



Press Release

at Chennai, Tamil Nadu. The existing three showrooms under this company are located at Ranganathan Street, Usman Road, Natesan Street in Chennai. 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/ As on* | (Rs. crore) | |
|----------------------------|-------------|------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |
| Total Operating Income | 379.03 | 417.19 |
| EBITDA | 22.04 | 27.07 |
| PAT | 2.58 | 2.83 |
| Total Debt | 148.62 | 163.29 |
| Tangible Net Worth | 169.02 | 171.87 |
| EBITDA Margin (%) | 5.82 | 6.49 |
| PAT Margin (%) | 0.68 | 0.68 |
| Overall Gearing Ratio (x) | 0.88 | 0.95 |
| Interest Coverage (x) | 1.25 | 1.23 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|--------------------------------|--------------------------------|------------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | September 14, 2023 | June 16, 2022 | March 17, 2021 |
| 1. | Term Loan (GECL) | Long Term | 0.00* | - | IVR BBB-/ Stable | IVR BB+; Issuer not cooperating | IVR BBB/Credit Watch with Developing Implications |
| 2. | Cash Credit | Long Term | 80.00 | IVR BBB-/ Stable | IVR BBB-/ Stable | IVR BB+; Issuer not cooperating | IVR BBB/Credit Watch with Developing Implications |

*Rating stands withdrawn as the company has prepaid its term loan



Press Release

Analytical Contacts:

Name: Amit Bhuwania

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 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 and definition of ratings please visit www.infomerics.com.

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 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 factors.



Press Release

Annexure 1: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Cash Credit | - | - | - | Revolving | 80.00 | IVR BBB-/Stable |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-saravana-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.