



Press Release

Siddhi Weaves Private Limited

March 27, 2024

Ratings

Instrument/ Facilities	Amount (INR crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	26.39 (reduced from Rs 43.10 crore)	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)	Reaffirmed	Simple
Long Term/Short Term Bank Facilities	27.00	IVR BBB-; Stable / IVR A3 (IVR Triple B minus with Stable Outlook / IVR A Three)	Reaffirmed	Simple
Total	53.39 (INR Fifty Three crore and Thirty Nine lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Siddhi Weaves Private Limited (SWPL) continues to derive strength from extensive experience of the promoters in textile industry and benefits emanating from easy availability of raw material being located near to cotton growing belt of the country. The ratings also considers stable business performance coupled with satisfactory capital structure of the company. However, these rating strengths remain constrained by susceptibility of profitability to fluctuations in key raw material (i.e. Cotton) prices, exposure to intense competition and expected moderation in scale of operations in the near term.

Key Rating Sensitivities:

Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure and/or improvement in debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors



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- More than expected dip in operating income and/or profitability impacting the debt coverage indicators
- Withdrawal of subordinated unsecured loan amounting to Rs.21.32 crore leading to moderation in the capital structure with moderation in overall gearing ratio to over 1x and/or moderation in debt protection metrics with dip in interest coverage ratio to below 1.5x
- Elongation in the operating cycle impacting the liquidity

List of key rating driver with detailed description

Key rating strengths:

- **Extensive experience of promoters in textile industry**
The promoters of the company have been in the textile business for more than 20 years. Extensive business experience of the promoters with sound financial background supports the business risk profile of the company to a large extent.
- **Easy availability of raw material**
The company has easy access to raw materials as its manufacturing plant is located in Ahmedabad (Gujarat), which is cotton growing belt of India. Favourable location of the plant also enables the company to save on logistics costs.
- **Satisfactory capital structure**
The capital structure of the company continues to remain comfortable. Overall gearing ratio improved from 0.91x as on March 31, 2022 to 0.74x as on March 31, 2023 supported by repayment of term loans and accretion of profits to reserves. The net worth of the company stood at Rs.92.03 crore as on March 31,2023 including subordinated unsecured loans of Rs. 21.32 crore from the promoters/related parties. The interest coverage ratio increased to 3.28x in FY23 from 2.42x in FY22 driven by improvement in EBITDA and reduction in finance cost. Infomerics expects that the financial risk profile of the company will continue to remain satisfactory in the near term.
- **Stable business performance**
Despite moderation in total operating income to Rs. 350.43 crore in FY23 from Rs. 438.94 crore in FY22, the company witnessed improvement in its profit levels and cash accruals. EBITDA increased from Rs.18.63 crore in FY22 to Rs.23.80 crore in FY23 driven by



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improvement in average sales realisation of dyed yarn. Gross cash accruals of the company also improved from Rs.11.50 crore in FY22 to Rs.16.34 crore in FY23.

Key rating weaknesses

- **Profitability susceptible to fluctuations in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years and thus its profitability remains susceptible to any adverse movement in cotton and yarn prices.

- **Exposure to intense competition**

The weaving industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the group's pricing flexibility and bargaining power.

- **Expected moderation in scale of operation**

In 9MFY24, the company has achieved revenue of ~Rs.173 crore. Infomerics expects moderation in the scale of operations of the company in view of subdued demand in the market.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

[Policy on default recognition](#)

[Criteria on complexity](#)

Liquidity: Adequate

The company's liquidity position as reflected by current ratio at 1.37x as on March 31, 2023 stood comfortable. Further, the company is expected to generate adequate cash flows to service its debt obligations. However, average working capital limit utilisation of the company was ~90% during the past twelve months ended December 2023 indicating limited liquidity cushion.



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About the Company

Incorporated in June 2013, Ahmedabad based Siddhi Weaves Private Limited is engaged in the dyeing, weaving and manufacturing of denim fabrics. The company has an installed weaving capacity (grey fabric) of 79 lakh meters per annum with 48 air jet looms. The company commenced the commercial production of grey fabric weaving from January 2016. Later, in September 2017, the company set up dyeing and processing unit for denim fabric with an installed capacity of 302 lakh meters per annum.

Financials of Siddhi Weaves Private Limited (Standalone):

For the year ended*/ as on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	438.94	350.43
EBITDA	18.63	23.80
PAT	5.10	6.99
Total Debt	78.88	67.92
Tangible Net Worth	65.18	70.71
Tangible Net worth (including Quasi Equity)	86.50	92.03
EBITDA Margin (%)	4.24	6.79
PAT Margin (%)	1.16	1.99
Overall Gearing Ratio (x)	0.91	0.74
Interest Coverage Ratio (x)	2.42	3.28

*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA:

India Ratings has maintained the rating of SWPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated July 24, 2023.

Brickwork Ratings has maintained the rating of SWPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated December 26, 2023.

Any other information: Nil

Rating History for last three years:

Sr.	Name of	Current Rating (Year 2023-24)	Rating History for the past 3 years
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No.	Instrument/ Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 10, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Dec 2, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Sep 10, 2021)	Date(s) & Rating(s) assigned in 2020-21 (June 12, 2020)
1	Term Loan*	Long Term	26.39	IVR BBB-/ Stable	IVR BBB- / Stable	IVR BBB- (INC)	IVR BBB- / Stable	IVR BBB/ Stable
2	Cash credit^	Long Term	27.00	IVR BBB-/ Stable/ IVR A3	IVR BBB- / Stable/ IVR A3	IVR BBB- / IVR A3 (INC)	IVR BBB- / Stable/ IVR A3	IVR BBB/ Stable/ A3+

* Outstanding as on Feb 29, 2024

^Bank guarantee of Rs. 2.00 crore is a sublimit of Cash Credit

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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.



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

For more information 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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term loan	-	-	Jan 2026	11.15	IVR BBB-/ Stable
Term loan	-	-	Apr 2024	0.27	IVR BBB-/ Stable
GECL loan	-	-	Aug 2027	3.59	IVR BBB-/ Stable
GECL loan	-	-	May 2026	4.45	IVR BBB-/ Stable
GECL loan	-	-	Aug 2027	2.73	IVR BBB-/ Stable
GECL loan	-	-	Feb 2028	1.98	IVR BBB-/ Stable
GECL loan	-	-	Apr 2026	2.22	IVR BBB-/ Stable
Cash credit [^]	-	-	-	27.00	IVR BBB-/ Stable/ IVR A3
Total				53.39	

[^]Bank guarantee of Rs. 2.00 crore is a sublimit of Cash Credit

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-siddhiweaves-mar24.pdf>



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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.

