



Rating Rationale

Sri Vasudeva Textiles Pvt Ltd

12 Nov 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 49.94 Crores of Sri Vasudeva Textiles Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	46.94	Long Term	BWR BB+ (BWR Double B Plus) Outlook: Stable
Non Fund Based	3.00	Short Term	BWR A4+ (BWR A Four Plus)
Total	49.94	INR Forty Nine Crores and Ninety Four Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, provisional H1FY19 financials, projections till FY 21, publicly available information and information/clarifications provided by the company management.

The rating is constrained by leveraged capital structure, intense competition limiting pricing flexibility, volatility w.r.t. to availability and prices of raw materials, earning being stressed due to high finance costs.

The rating, however, draws comfort from the experienced and qualified management and favourable government policies towards the sector.

Description of Key Rating Drivers

- **Credit Strengths:**

Experienced and Qualified Promoters: The promoters and the management has relevant experience in the field of textiles with established long term relations with suppliers and customers.

Government Policies: The Textile industry continue to benefit from favourable government policies due to its contribution to the economy and employment generation potential. Technology Upgradation Fund



Scheme has enabled cotton fabric industry access funds for upgradation of machinery at a lower costs.

Revenue Visibility: The company has consistent order inflows, ensuring near term revenue visibility.

- **Credit Risks:**

Capital Structure: The capital structure is highly leveraged, largely consisting of external borrowings.

Highly intense competition: The company operates in an industry characterised by intense competition, low entry barriers which restricts its pricing flexibility.

Price volatility: The company's raw material is seasonal in nature subject to fluctuations in availability and price.

Profitability: The operational performance continues to remain weak with EBIT being insufficient to provide for interest costs. However, with significant portion of debt repayment in past few years, the interest outgo is expected to be lower.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Sri Vasudeva Textiles Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down, profit margins show lower than expected figures as well as lower cash accruals impacting serviceability of debt..

About the Company

Sri Vasudeva Textiles Pvt Ltd (SVTPL), established in 1956, is engaged in manufacturing of Melange Yarn and OE Grey Yarn as well as trading of white cloth and fabrics. The company has its two units located in Coimbatore and Annur with the necessary machinery like card, draw frame, combers framers and technology for converting raw fibers into yarns. It also has lab facilities to check all yarn parameters. E.N.Sivasamy, E.S.Ashok and E.S.Sidharth Gowtham are the promoters managing the day-to-day operations.

Company Financial Performance

As per the audited financials for FY18, Total Operating Income increased to Rs. 86.72 Crs (v. Rs. 78.35 Crs) primarily on account of increase in sales of yarn. Operational performance improved, with EBITDA increasing to Rs. 11.24 Crs (v. Rs. 6.85 Crs) on account of lower purchase costs, while PAT turned positive to Rs. 0.10 Crs (v. Rs. -3.46 Crs), although largely due to Non Operating Income. Interest and Finance Charges continue to remain high at Rs. 6.29 Crs, exceeding EBIT consistently. However, the interest costs are likely to reduce in the years ahead. TNW stands at Rs. 22.71 Crs (v. Rs. 22.61 Crs),

while Total Debt marginally declined to Rs. 64.10 Crs (v. Rs. 64.88 Crs) resulting in a gearing ratio of 2.82x (v. 2.87x). Debt Coverage indicators remained low, although showed an improvement, with ISCR & DSCR at 0.91x (v. 0.23x) & 0.91x (v. 0.65x) respectively on account of improvement in profitability. Liquidity improved over the years, with Cash Conversion Cycle at 58 days (v. 94 days). Current Ratio stands at 0.74x (v. 0.76x).

As per provisional numbers for H1 FY19 provided by management, Total Operating Income stands at Rs. 36.25 Crs with an EBITDA of Rs. 5.36 Crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based Cash Credit Term Loans	Long Term	30.00 16.94	BWR BB+ Outlook: Stable	-	-	-
2.	Non Fund Based Inland LC	Short Term	3.00	BWR A4+	-	-	-
	Total		49.94	₹ Forty Nine Crores and Ninety Four Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

India Ratings BWR BB+/A4+ Issuer Not Cooperating Reaffirmed on 23 Oct 17

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Cr	78.35	86.72
EBITDA	₹ Cr	6.85	11.24
PAT	₹ Cr	-3.46	0.10
Tangible Net worth	₹ Cr	22.61	22.71
Total Debt/Tangible Net worth	Times	2.87	2.82
Current Ratio	Times	0.76	0.74



Hyperlink/Reference to applicable Criteria

- [General Criteria](#) [Approach to Financial Ratios](#)
- [Manufacturing Companies](#) [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities



DISCLAIMER

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