Rating Rationale

Suvastra India

3 August 2022

Brickwork Ratings upgraded the long term rating and reaffirmed the short term ratings for the Bank Loan Facilities of Rs. 15.43 Crs. of Suvastra India.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating#	
	Previous	Present		Previous (March, 2022)	Present
Fund based	8.00	10.93	Long Term	BWR B- Outlook: Stable Downgrade/ISSUER NOT COOPERATING*	BWR B Outlook: Stable Upgrade
	4.50	4.50	Short Term	BWR A4 Reaffirmation/ISSUER NOT COOPERATING*	BWR A4 Reaffirmation
Non Fund Based	2.00	0.00	Short Term	BWR A4 Reaffirmation/ISSUER NOT COOPERATING*	Withdrawal
Total	14.50	15.43	(Rupees Fifteen Crores and Forty Three lakhs Only)		

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I
*Issuer did not cooperate ; based on best available information.

RATING ACTION/OUTLOOK

Brickwork Ratings has upgraded the long term rating to "BWR B/Stable" and reaffirmed the short term rating at A4 for the Bank Loan Facilities of Rs. 15.43 Crs of "Suvastra India", and withdrawal of non fund based short term rating in view of the proposed loans not availed as

confirmed by the company and the lender. BWR has essentially relied upon the audited financial statements of "Suvastra India" upto FY21, Provisional of FY22 and projections upto FY25 and publicly available information and information/clarifications provided by the company's management.

The long term rating upgrade and short term rating reaffirm to continue to take into account the Experienced management with long track record in the manufacture and export of textile garments and accessories, medium financial profile with adequate liquidity indicators. The rating is constrained by a fluctuating scale of operations.

BWR believes that Suvastra India 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 and profit margins show lower than expected figures.

Key Rating Drivers

BWR has essentially relied upon the audited financial statements upto FY21, Provisional of FY22, projected financials upto FY25, publicly available information/clarifications provided by the entity's management.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:

- Locational Advantage : The Firm is located in the Bengaluru cluster and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and vendors making the company more efficient and cost effective.

- Company Existence : The company has been in existence for 12 years and has seen complete business cycles.

- Networth : Improved Net worth of the firm for FY21 stood at Rs. 4.81 crs as against Rs. 4.57 crs in FY20 as going to improve in FY22(Prov.).

Credit Risks:

- Constitution(For Proprietorships and Partnership cases) : Being a partnership firm, it is exposed to inherent risks of capital being withdrawn at a time of personal contingency,

risks of dissolution and limited avenues to raise capital which could prove a hindrance to the growth of the firm.

- Competition in the Industry : Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.

- High Gearing of the firm : Gearing remains high at 3.35 times as on 31 March 2021. However it is increasing to 3.40 times as on 31 March 2022 (Prov.), due to increase in loans from bank and related parties. The gearing is further expected to increase to 3.68 times as on 31 March 2023.

- Covid-19 : The operating income of the firm has declined by around 31.5% percent to Rs. 31.43 Crs FY21 as against Rs. 45.89 Crs in FY20. The decline in the operating income is majorly due to Covid-19 pandemic since the factory of the firm was closed for some months.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

As it is a company, a standalone approach has been adopted and BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The company's ability to increase its scale of operations, improve profitability, and improve liquidity would be the key rating sensitivities.

1. Upward: Rating may be upgraded in case of substantial improvement in revenues and profit show sustained improvement.

2. Downward: Rating may be downgraded if the revenues go down and profit margins show lower than expected figures.

LIQUIDITY INDICATORS - Adequate

Liquidity indicators are adequate and the current ratio remains reasonable at 2.67 times as on 31 March 2021. Conversion Cycle remains at 175 days in FY21 and is improving to 152 days in FY22. Cash and Bank Balance remain at Rs 1.79 Crs in FY21, and net cash accruals at Rs. 0.90 Crs in FY21.

About the Company

M/s. Suvastra India (SI) was established as a Partnership firm on 25th October 2010 in Bangalore, Karnataka for the manufacture and export of textile garments and accessories. The management of the firm is constituted by two partners, namely, Mr. Karthikeyan and Supreme Health Care(Bangalore) Private Ltd (Chairman Mr. Rajendran). Both the partners have more than two decades of business experience. Suvastra India carries out the manufacture of Organic certified garments for international companies, including men's, women's, and kid's woven tops & bottoms for the premium segment of fashion brands. The production capacity for FY21 was 10,20,000 pcs. The products are manufactured under various brand names in both international & domestic markets like Nudie jeans in Sweden, Knowledge cotton apparel in Denmark, Stylem & coin Japan, Louise Philip, Van Heusen, Allen Sollyin India.

The unit carries out Job work for Embroidery work for domestic customers. Major raw materials used for the process include 100% cotton woven organic fabrics, 100% cotton woven fabrics, which are procured from Salem and Namakkal regions. It imports only sewing accessories like buttons and labels. The unit employs around 265 permanent workers to carry out its operations. Machines installed for its process include, Japanese made Sewing machine and an embroidery machine. Other machines used are cutting machines, fusing machines, ironing & folding machines. The unit imports only sewing accessories like buttons and labels, which amounts to 1% of total purchases. The main competitors of the unit include, in the premium segment of organic products and mainly from international markets like Turkey and Japan.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
Operating Revenue	**Rs. Crs.**	31.43	45.89
EBITDA	**Rs. Crs.**	3.00	2.76
PAT	**Rs. Crs.**	0.24	0.38
Tangible Net worth	**Rs. Crs.**	4.81	4.57
Total Debt/Tangible Net worth	**Times**	3.35	3.55
Current Ratio	**Times**	2.67	3.85

KEY COVENANTS OF THE FACILITY RATED

The terms of sanction for the bank loan facilities include standard covenants normally stipulated for such facilities.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY - NA

ANY OTHER INFORMATION - NA

RATING HISTORY (including suspension and withdrawal)

Facilities	Current Ratings (2022)			2022 (History)		2021		2020		2019	
Type	Tenure	Amount (Rs. Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	9.73	BWR B/Stable (Upgrade)	22 Mar 2022	BWR B-Stable (Downgrade/ ISSUER NOT COOPERATING*)	NA	NA	01 Oct 2020	BWR B/Stable (Downgrade/ISSUER NOT COOPERATING*)	16 Jan 2019	BWR B+/Stable (Assignment)
Fund Based	ST	5.70	BWR A4 (Withdrawal)	22 Mar 2022	BWR A4(Reaffirmation/ISSUER NOT COOPERATING*)	NA	NA	01 Oct 2020	BWR A4 (Reaffirmation/ISSUER NOT COOPERATING*)	16 Jan 2019	BWR A4 (Assignment)
Non Fund Based	ST	0.00	NA	22 Mar 2022	BWR A4(Reaffirmation/ISSUER NOT COOPERATING*)	NA	NA	01 Oct 2020	BWR A4(Reaffirmation/ISSUER NOT COOPERATING*)	16 Jan 2019	BWR A4(Assignment)
Grand Total		15.43	(Rupees FifteenCrores and Forty Three lakhs Only)								

***Issuer did not cooperate; based on best available information**

. Initial Rating of BWR B+/ A4 Stable assigned on 16 January, 2019 for BLR of Rs. 14.50 Crs.

COMPLEXITY LEVELS OF THE INSTRUMENTS

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.

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Short Term Debt**

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ANNEXURE-I
Suvastra India
Details of Bank Facilities rated by BWR

SL.No.	Name of the Bank	Type Of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1	Bank of Baroda	Term Loan-Sanctioned	1.73	_	1.73
2		Term Loan-Sanctioned	1.20	_	1.20
3		Cash Credit-Sanctioned	8.00	_	8.00
4		Bank Guarantee-Proposed	_	_	0.00
5		PCL/PCFC/FDBP/FUDBP-Sanctioned	_	3.50	3.50
6		Post Shipment Credit/PSCFC-Sanctioned	-	1.00	1.00
Total			10.93	4.50	15.43
(Rupees Fifteen Crores and Forty Three lakhs Only)					

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