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[I] CRISIL RATINGS: Sri Vishnu Shankar Mills Limited:Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'; rated amount enhanced for Bank Debt

Informist, Friday, Aug 5

Sri Vishnu Shankar Mills Limited
Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'; rated amount enhanced for Bank Debt

| | |
|----------------------------------|--|
| Rating Action | |
| Total Bank Loan Facilities Rated | Rs.365 Crore (Enhanced from Rs.282.57 Crore) |
| Long Term Rating | CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Positive') |
| Short Term Rating | CRISIL A2 (Upgraded from 'CRISIL A3+') |

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Sri Vishnu Shankar Mills Limited (SVSML) to CRISIL BBB+/Stable/CRISIL A2 from CRISIL BBB/Positive/CRISIL A3+.

The upgrade reflects the improvement in business performance in fiscal 2022 and expected sustenance of the same over the medium term. The financial risk profile and liquidity also improved.

Performance in fiscal 2022 was better than expectations driven by 60% growth in revenues following recovery in demand in both domestic as well as export markets, and higher realization of prices.

Over the medium term, the revenue growth will be supported by steady offtake from textile customers in domestic market and China+1 policy of overseas customers. The addition of 17000 spindles will further support the growth.

Gearing remained high at >4 times in fiscal 2022 as the capacity addition done in fiscal 2022 was funded by term loan of Rs.50 crores. Further increase in cotton prices and consequent increase in revenues will help in reducing the gearing.

The ratings continue to reflect the extensive experience of promoters in the textile industry and operational synergies with other textile units of the group. Rating also reflects the strong support from Ramco Group.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has applied its group notch-up framework to factor in the extent of financial and managerial support expected from Ramco Group. CRISIL Ratings has also considered the company's performance in fiscal 2022 and its outlook for the medium term.

Key Rating Drivers & Detailed Description

Strengths:

- Extensive experience of promoters in the textile industry: Promoters have extensive experience in the textile industry, specifically cotton yarn, through RML established nearly 60 years ago.
- Healthy operating efficiency driven by synergies with other textile units of the Ramco group and availability of low cost power: SVSML enjoys healthy realizations due to its presence in the textile industry.
- Adequate financial flexibility derived from being part of Ramco group: SVSML benefits significantly from being part of the Ramco group, which enjoys a strong relationship with lenders.

Additionally, SVSML has investments in listed entities of the group, and the market value of the investments stand at Rs 225 Cr as on July 29, 2022; the company has the option to trade these investments.

CRISIL Ratings expects SVSMLs liquidity will improve over the medium term supported by increasing accruals over the medium term and continued support from the Ramco group.

Weaknesses:

- Moderate, but improving, financial risk profile: SVSMLs financial risk profile is constrained by the sizeable debt and moderate networth of about Rs 65 crore as of March 31, 2022.
- Working-capital-intensive operations and susceptibility to volatility in cotton and yarn prices: SVSMLs key raw material, cotton, which constitutes about 95% of its raw material cost.

Liquidity: Adequate

SVSML has adequate liquidity. The company's liquidity benefits from its steady cash accruals and the financial flexibility it enjoys by being part of the established Ramco group. SVSML

SVSMLs operations are also working-capital-intensive, driven by large inventory requirements because of seasonal availability of its key raw material, cotton. As on March 31, 2022 the

Outlook: Stable

CRISIL Ratings believes SVSMLs business risk profile will continue to improve over medium term driven by improving profitability with the company expected to focus on more profitable

Rating Sensitivity factors

Upward factors

- Sustained improvement in operating performance with operating profit before depreciation, interest, and tax (OPBDIT) increase by over 15% on a sustained basis.
- Continued improvement in accruals along with prudent working capital management, leading to improvement in debt protection metrics, for instance TOL/TNW

Downward factors

- Lower than expected accruals due to deterioration in operating performance with operating margins below 10% on a sustained basis.
- Any sizeable debt-funded capital spending, or a stretch in the working capital cycle leading to deterioration in debt protection metrics, for instance TOL/TNW > 5 times on a sustained basis.
- Any significant deterioration in credit profile of key Ramco group entities impacting the overall groups credit profile will also remain a rating sensitivity factor.

About the Company

Incorporated in 1981, SVSML is promoted by Mr P.R. Ramasubramaneya Rajha and Mrs Sharada Deepa (daughter of Mr P.R. Ramasubramaneya Rajha). SVSML manufactures cotton yarn of counts 18

The Ramco group includes Ramco Cements, Ramco Systems Ltd and Ramco Industries Limited (rated CRISIL A1+) while the textile companies in the group include Rajapalayam Mills Ltd (rated

Key Financial Indicators

As on / for the period ended March 31 20222021

Revenue Rs Crores292 183

Profit after tax (PAT) Rs Crores21 8

PAT margins % 7.3 4.3

Adjusted debt/adjusted net worth Times 4.454.28

Interest coverage Times 3.872.34

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Use

Annexure - Details of Instrument(s)

| ISIN | Name of Instrument | Date of Allotment | Coupon | Maturity | Issue Size | Complexity | Rating | Assigned |
|------|--------------------|-------------------|----------|----------|------------|------------|--------|--------------|
| | | | Rate (%) | Date | (Rs. Cr) | Level | | with Outlook |

| | | | | | | |
|--|----|----|--------|-------|----|--------------------|
| NA Term Loan | NA | NA | Feb-26 | 11.55 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Oct-22 | 10 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Apr-26 | 54.23 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Jun-29 | 26.95 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Sep-22 | 3.06 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Jan-26 | 2.5 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Jun-26 | 20 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Feb-26 | 14.84 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Aug-28 | 14.96 | NA | CRISIL BBB+/Stable |
| NA Term Loan | NA | NA | Jul-25 | 5.2 | NA | CRISIL BBB+/Stable |
| NA Fund-Based Facilities& | NA | NA | NA | 30 | NA | CRISIL BBB+/Stable |
| NA Fund-Based Facilities^ | NA | NA | NA | 37 | NA | CRISIL BBB+/Stable |
| NA Fund-Based Facilities% | NA | NA | NA | 15 | NA | CRISIL BBB+/Stable |
| NA Fund-Based Facilities\$ | NA | NA | NA | 10 | NA | CRISIL BBB+/Stable |
| NA Fund-Based Facilities | NA | NA | NA | 48 | NA | CRISIL BBB+/Stable |
| NA Fund-Based Facilities# | NA | NA | NA | 25 | NA | CRISIL BBB+/Stable |
| NA Non-Fund Based Limit | NA | NA | NA | 6.25 | NA | CRISIL A2 |
| NA Proposed Long Term Bank Loan FacilityNA | NA | NA | NA | 30.46 | NA | CRISIL BBB+/Stable |

& - Interchangeable with EPC/PCFC/ FBN/ FBP/ FBD/ buyer's credit

^ - Interchangeable with short term loan/EPC/ letter of credit/bank guarantee/ buyer's credit/WCDL/PCFC

% - Interchangeable with non-fund based facilities

\$ - Interchangeable with WCDL/EPC

- Interchangeable with non-fund based facilities

Annexure - Rating History for last 3 Years

| | Current | | | 2022 (History) | | 2021 | | 2020 | | 2019 | |
|---------------------------|---------|--------------------|--------------------|----------------|--------|----------|---------------------|----------|--------------------------------|----------|-----------------------|
| Instrument | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Fund Based Facilities | LT | 358.75 | CRISIL BBB+/Stable | | -- | 16-07-21 | CRISIL BBB/Positive | 21-05-20 | CRISIL BBB/Stable | 30-10-19 | CRISIL BBB/Stable |
| | | | -- | | -- | | -- | | -- | 18-01-19 | CRISIL A3+ / CRISIL B |
| Non-Fund Based Facilities | ST | 6.25 | CRISIL A2 | | -- | 16-07-21 | CRISIL A3+ | 21-05-20 | CRISIL A3+ / CRISIL BBB/Stable | 30-10-19 | CRISIL A3+ / CRISIL B |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount (Rs.Crore) | Name of Lender | Rating |
|---------------------------------------|-------------------|----------------------------------|--------------------|
| Fund-Based Facilities ⁶ | 30 | Tamilnad Mercantile Bank Limited | CRISIL BBB+/Stable |
| Fund-Based Facilities [^] | 37 | IDBI Bank Limited | CRISIL BBB+/Stable |
| Fund-Based Facilities [%] | 15 | The Federal Bank Limited | CRISIL BBB+/Stable |
| Fund-Based Facilities ^{\$} | 10 | HDFC Bank Limited | CRISIL BBB+/Stable |
| Fund-Based Facilities | 10 | Citibank N. A. | CRISIL BBB+/Stable |
| Fund-Based Facilities [#] | 25 | IndusInd Bank Limited | CRISIL BBB+/Stable |
| Fund-Based Facilities | 23 | IDFC FIRST Bank Limited | CRISIL BBB+/Stable |
| Fund-Based Facilities | 15 | DCB Bank Limited | CRISIL BBB+/Stable |
| Non-Fund Based Limit | 6.25 | Tamilnad Mercantile Bank Limited | CRISIL A2 |
| Proposed Long Term Bank Loan Facility | 30.46 | Not Applicable | CRISIL BBB+/Stable |
| Term Loan | 11.55 | IndusInd Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 10 | The Federal Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 54.23 | IndusInd Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 14.42 | ICICI Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 30.01 | Tamilnad Mercantile Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 2.5 | IDBI Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 5.58 | ICICI Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 29.8 | The Federal Bank Limited | CRISIL BBB+/Stable |
| Term Loan | 5.2 | The Federal Bank Limited | CRISIL BBB+/Stable |

This Annexure has been updated on 05-Aug-22 in line with the lender-wise facility details as on 05-Aug-22 received from the rated entity.

⁶ - Interchangeable with EPC/PCFC/ FBN/ FBP/ FBD/ buyer's credit

[^] - Interchangeable with short term loan/EPC/ letter of credit/bank guarantee/ buyer's credit/WCDL/PCFC

[%] - Interchangeable with non-fund based facilities

^{\$} - Interchangeable with WCDL/EPC

[#] - Interchangeable with non-fund based facilities

End

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