Seshasayee Knittings private Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	22.43	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Seshasayee Knittings Private Limited (SKPL) continues to derive strength from its experienced promoters and qualified management team. The rating strength is also supported by an improved scale of operations with stable profit margins, and having long-standing relationships with customers and suppliers that provide business stability. Additionally, SKPL benefits from established brand presence in the Andhra Pradesh and Telangana enhancing its competitive positioning. However, these strengths are partially offset by the working capital-intensive nature of the business due to high inventory holding, its exposure to fluctuations in raw material prices, which can impact profitability, and the highly fragmented and competitive industry landscape, which poses challenges to market share expansion.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing revenue by more than 30% y-o-y with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of about 10%.
- Improving operating cycle to below 125 days, strengthening the cashflows from operations.
- Total debt (TD)/gross cash accruals (GCA) improving to less than 4x on a sustained basis.

Negative factors

- Any un-envisaged incremental borrowings resulting in the overall gearing ratio of more than 1.50x on a continuous basis.
- Notable decline in total operating income (TOI) and PBILDT margin falling below 6%.

Analytical approach: Consolidated

CARE Ratings has considered the consolidated business and financial risk profiles of SKPL and its subsidiary Thatavarthi Apparels Private Limited (TAPL) holding 67.65% as the entities are linked through a parent-subsidiary relationship (Refer Annexure – 6 for list of subsidiaries).

Outlook: Stable

The stable outlook reflects SKPL's ability to sustain its operational performance backed by experience of the promoters and longstanding relationships in the market while maintaining a comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Established brand presence in the market

SKPL belongs to the Vilan group. The company has a longstanding presence of more than three decades in Andhra Pradesh and Telangana and has ramped up operations in various parts of the cities to cater pan-India. The group has established relationships with distributors and retailers, through which about 90-95% of revenue is derived. Backed by the well-known brand 'Vilan', SKPL has more than 70-80 distributors (pan-India).

Healthy relationship with customer and supplier

The company has built over three decades of established operations in the garment industry, leading to strong and healthy relationships with both customers and suppliers. It has a diversified customer and supplier base, spread across major states in India. In FY24 and 10MFY25, approximately 20-25% of the company's revenue came from its top five customers, demonstrating a well-diversified customer base.

Business operations are geographically diversified

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

SKPL and TAPL has a geographically diversified revenue profile as the company undertakes both intra state as well as interstate sales. Intra state sales constituted 62% of total sales for FY24 (57% for FY23) whereas 37% of revenue was derived from interstate during FY24 (as against 43% in FY23).

Stable scale of operations with stable profitability levels

The scale of operations of the company at consolidated level improved to Rs.203 crore in FY24 (PY:184) driven by increased demand from end customers. PBILDT margins remained stable at 9.10% in FY24, compared to 9.30% and 1.05% in FY23. This stability in margins was supported by stable input prices and the company's strategy of selling a higher volume of fabric, which has slightly lower margins compared to garments. However, the PAT margin stands moderately thin at 1.02% in FY24 (PY: 1.05%) due to higher interest expenses at the back of interest-bearing unsecured loan from the promoters and related parties.

Satisfactory capital structure with moderate debt coverage indicators

The company's capital structure remains satisfactory, with an overall gearing ratio of 1.09x as of March 31, 2024, although it has deteriorated from 0.97x on March 31, 2023, due to an increase in debt levels (mainly WC debt). The debt profile of the company includes term loans, working capital and interest-bearing unsecured loan.

The debt coverage indicators are moderate, with the total debt/GCA ratio at 15.83x and the PBILDT interest coverage ratio at 1.43x for FY24, compared to 14.03x and 1.47x in FY23. However, it is important to note that around 16% of the total debt pertains to long-term loans, which offers some stability in the capital structure.

Experienced promoters with group support

SKPL is the flagship company of the Vilan Group, founded by T. Chandra Shekar Rao, who brings nearly four decades of experience in the textile industry and oversees the company's operations. The company benefits from the expertise of its other directors and management team, who also have extensive experience in the textile sector. SKPL has consistently received support from its group companies and promoters, both in terms of management guidance and infusion of funds whenever necessary. As of March 31, 2024, the company, on a consolidated basis, has unsecured loans amounting to ₹46.86 crore.

Key weaknesses

Working capital intensive nature of business

The business operations of the company are working capital intensive due to higher inventory holding period. The company has average inventory holding of 172 days in FY24 at consolidated level primarily due to the need to maintain inventory across various stages., i.e., fabric and garments of all varieties. The company receives the payment from its distributors within 45-60 days and from retailer cash and carry basis. In turn the company settles the payment to its suppliers within 45-60 days. To meet the above working capital the company must rely on working capital limits. The average utilisation of the working capital limits for the last 12 months ended January 2025 was 95%.

Exposure to volatility of raw material prices

Cotton yarn, the key raw material, has exhibited high volatility in prices in the past and in turn impacts the profitability of the company. The prices of cotton and yarn are governed by various factors such as area under cultivation, monsoon, export quota by the government, international demand-supply situation etc. Furthermore, any abrupt change in cotton prices due to supply demand scenario and government regulations of changes in Minimum Support Price (MSP) can lead to distortion of prices and affect the profitability of players across the cotton value chain. The business and financial profile can be adversely impacted on account of presence of inherent risk of susceptibility of volatility in raw cotton prices, since the industry is highly commoditized.

Highly fragmented and competitive nature of industry

The ready-made garment industry remains highly competitive and fragmented due to the presence of a large number of players and a low degree of product differentiation. This intense competition limits the bargaining power of companies operating within the sector. Additionally, the rise of competition from emerging markets in Asia further exerts pressure on both revenue and profitability, creating further challenges for companies in maintaining growth and margins.

Liquidity: Adequate

The company's liquidity remains adequate, characterized by sufficient accruals against minimal term debt repayment obligations. The resourceful promoters provide need-based funding as required. As of March 31, 2024, SKPL had unsecured loans of ₹46.86 crore which are interest bearing, of which ₹45.48 crore is subordinated to bank debt, strengthening the capital structure. The average utilization of working capital limits stood high at 95% over the last 12 months, ending January 2025. Liquidity is further supported by a positive cash flow from operations (CFO) and a satisfactory current ratio of 1.59x as of March 31, 2024.

CareEdge RATINGS

Assumptions/Covenants- Not Applicable

Environment, social, and governance (ESG) risks- Nil

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Cotton Textile

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Garments & Apparels

SKPL was incorporated by T Suryanarayana, T Chandra Sekhar Rao, and T Ramesh Babu on June 15, 1988. It manufactures garments and is an established player in the regional innerwear garment industry in Andhra Pradesh. SKPL has an established distribution network of over 70 distributors (pan-India) and five stores (Vijayawada). It has an installed capacity of 50,000 pieces of garments per day (including all types t-shirts, kids wear and athletic wear, among others) with a utilisation capacity of about 90-95%. SKPL belongs to the Vilan group, which has been manufacturing inner garments and knitwear for the past three decades. The Vilan group operates across the value chain of the textile industry through four group companies. The group has five manufacturing units engaged in the production of hosiery garments located at Vijayawada, Andhra Pradesh, and a sourcing unit located at Tirupur, Tamil Nadu. SKPL holds 67.65% stake and is the holding company of TAPL

Brief Financials (₹ crore)-Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	10MFY2025 (UA)
Total operating income	184.32	203.37	120.92
PBILDT	17.14	18.50	11.34
PAT	2.74	2.87	1.78
Overall gearing (times)	0.97	1.09	NA
Interest coverage (times)	1.47	1.43	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL continues to categorise the ratings assigned to the bank facilities of SKPL under the 'non-cooperation category' vide its PR dated December 16, 2024, due to its inability to carry out a rating exercise in the absence of the requisite information from the company

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.13	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	March 2027	0.30	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	0.30	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Jan-24)	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB-; Stable (22-Feb-22)
2	Fund-based - LT-Cash Credit	LT	22.13	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Jan-24)	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB-; Stable (22-Feb-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Thatavarthi Apparels Private Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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