

Lakshmi Saraswathi Textiles

December 04, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	0.84	CARE B-; ISSUER NOT COOPERATING* (Single B Minus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	5.20	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	6.04 (Rs. Six Crore and Four Lakhs Only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 10, 2019, placed the rating(s) of Lakshmi Saraswathi Textiles (LST) under the 'issuer non-cooperating' category as LST had failed to provide information for monitoring of the rating. LST continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated November 12, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating on September 10, 2019 the following were the rating strengths and weaknesses:

Key Rating Weakness

Volatility in total operating income

The firm's total operating income declined by 41% on account of decrease of sales orders from a major customer from Thailand. During 10MFY16 (refers to the period April 01 to January 31), LST has achieved Rs.15 crore approximately (an annualized growth of 45% for FY16 [refers to the period April 01 to March 31]). The firm has executed orders valued Rs.2 crore (approximately) for February 2016 and are expecting to execute Rs.2 crore for March 2016.

Elongated operating cycle

Operating cycle of the firm has elongated from 100 days in FY14 to 201 days in FY15, on account of increase in inventory holding period to 130 days (against 91 days in FY14). The firm's production is generally on the basis of sales orders yet the firm also maintains a standard inventory to cater to immediate requirements of its customers. There was a decline in sales orders from the customers which has resulted in the pile up of inventory during the end of FY15.

Key Rating Strengths

Improvement in profitability margins and cash accruals

The PBILDT margin improved by 633 bps in FY15 on account of lower material cost as evidenced by decrease in material cost from 83% of the total operating income in FY14 to 75% of the total operating income in FY15. The PAT margin also improved on account of PBDIT margin improvement though it remained thin.

Weak gearing and coverage indicators

Debt coverage indicators remains weak marked by interest coverage 1.63 times in FY15 though marginally improved from 1.52x in FY14. The overall gearing is also weak at 2.00 times as of March 31, 2015 (2.44x as of March 31, 2014). Total debt to GCA improved to 13.29x as on March 31, 2015, from 21.26x as on March 31, 2014, on account of increase in gross cash accruals by 50% during the period.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

*Issuer Not Cooperating, based on best available information.

Future capex plans

The firm plans to purchase another 8 second hand suzler looms with project cost of Rs.1.20 crore funded through 60% of bank term loan and remaining by the promoter's contribution. The project is expected to be completed within the end of FY17.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial Ratios- Non Financial Sector](#)

[Rating Methodology - Wholesale Trading](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

LST is a proprietorship concern established in the year 1982 by Mrs Vijayalakshmi, supported by her husband Mr T.A. Rajah. LST was engaged in trading yarn and fabric in the domestic market till 2004. Since 2005, they are into manufacturing fabric and started concentrating on the export market. After the demise of Mrs Vijayalakshmi in the year 2007, the full control of operations was taken over by Mr T.A. Rajah. It has an installed capacity of 55 lakh meters per annum.

Brief Financials (Rs. crore)	FY14 (A)	FY15(A)
Total operating income	21.16	12.40
PBILDT	0.86	1.29
PAT	0.08	0.10
Overall gearing (times)	2.44	2.00
Interest coverage (times)	1.52	1.63

*A- Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	2.80	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	April 2021**	0.84	CARE B-; ISSUER NOT COOPERATING*
Fund-based - ST-FBN / FBP	-	-	-	2.40	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

**Updated maturity date remained unavailable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - ST-Packing Credit in Indian rupee	ST	2.80	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE A4; ISSUER NOT COOPERATING* (13-Jun-18)	1)CARE A4; ISSUER NOT COOPERATING* (22-May-17)
2.	Fund-based - LT-Term Loan	LT	0.84	CARE B-; ISSUER NOT COOPERATING*	-	1)CARE B-; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE B; ISSUER NOT COOPERATING* (13-Jun-18)	1)CARE B; ISSUER NOT COOPERATING* (22-May-17)
3.	Fund-based - ST-FBN / FBP	ST	2.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE A4; ISSUER NOT COOPERATING* (13-Jun-18)	1)CARE A4; ISSUER NOT COOPERATING* (22-May-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not Applicable
Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - ST-FBN / FBP	Simple
3.	Fund-based - ST-Packing Credit in Indian rupee	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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