

April 15, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA D (downgraded from SMERA B/Stable)
Term Loan I	0.37	SMERA D (downgraded from SMERA B/Stable)
Term Loan II	1.76	SMERA D (downgraded from SMERA B/Stable)
Letter of Credit	2.00	SMERA D (downgraded from SMERA A4)

SMERA has downgraded the rating on the abovementioned bank facilities of Shyam Industries (SI) to '**SMERA D**' (**read as SMERA D**) from '**SMERA B/Stable/SMERA A4**'. The downgrade reflects the firm's ongoing delays in servicing debt obligations.

The rating continues to factor in the firm's small scale of operations, low profitability, high gearing (debt-to-capital ratio) and stretched liquidity position. The rating remains constrained by the firm's working capital-intensive operations in an intensely competitive footwear industry.

Update

SI reported revenue of Rs.13.16 crore during FY2012-13 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.11.02 crore in FY2011-12. The firm's net profit margin declined from 1.77 per cent in FY2011-12 to 1.31 per cent in FY2012-13. SI's gearing (debt-to-capital ratio) remained high at 11.94 times as on March 31, 2014. The firm's total debt of Rs.5.70 crore (as on March 31, 2013) includes interest-bearing unsecured loans of Rs.1.43 crore from related parties. SI has weak bargaining power against customers and suppliers on account of intense competition prevalent in the footwear industry. The firm's operations are working capital-intensive as it extends credit (of 120 days) to customers while payments to suppliers are made within 60 days. SI's collection period stretched from 135 days in FY2011-12 to 196 days in FY2012-13. The firm's stretched liquidity position is evidenced by frequent overdrawning and high average utilisation (~105 per cent) of cash credit limit during August 2013 to February 2014. SI is irregular in servicing its debt obligations.

SI registered revenue of Rs.13.48 crore during April 2013 to February 2014.

About the firm

SI, established in 2006, is a New Delhi-based proprietorship firm engaged in manufacturing of footwear, which is sold under the brand names of 'Wisdom', 'Spykar', 'Spyke Lite' and 'PU Spyke'. SI has a factory unit in Bahadurgarh (Haryana), with installed capacity of 25 lakh pairs per annum. SI is

promoted by Mr. Radhey Shyam Singhal, an entrepreneur with over three decades of experience in the footwear industry.

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