



SMERA RATINGS LIMITED

# Shyam Industries (SI)

## Rating Rationale

**April 06, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA D (Reaffirmed)
Term Loan I	0.37	SMERA D (Reaffirmed)
Term Loan II	1.76	SMERA D (Reaffirmed)
Letter of Credit	2.00	SMERA D (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA D' (read as SMERA D)** on the abovementioned bank facilities of Shyam Industries (SI). The reaffirmation reflects ongoing delays in servicing of debt availed by the firm.

The rating also reflects the firm's weak financial profile marked by low profitability, high gearing (debt-to-capital ratio), stretched liquidity position and working capital-intensive operations.

### Update

SI reported revenue of Rs.14.93 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.13.16 crore in the previous year. The firm registered revenue of Rs.16.31 crore (provisional) during April 2014 to February 2015. SI's net profit margin declined from 1.33 per cent in FY2012-13 to 0.69 per cent in FY2013-14. The firm's gearing (debt-to-capital ratio) remains high at 4.60 times as on March 31, 2014. SI's total debt of Rs.5.00 crore (as on March 31, 2014) includes interest-bearing unsecured loans of Rs.1.17 crore from related parties.

The firm has weak bargaining power against customers and suppliers given the intense competition in the footwear industry. SI's collection period is stretched at 201 days in FY2013-14 (196 days in the previous year). The firm's weak liquidity position is evidenced by frequent overdrawing and high average utilisation (~100 per cent) of cash credit limit during October 2014 to February 2015. SI has not serviced its debt obligations on time during the past six months.

### About the firm

SI, established in 2006, is a New Delhi-based proprietorship firm promoted by Mr. Radhey Shyam Singhal. SI manufactures footwear sold under the brand names of 'Wisdom', 'Spykar', 'Spyke Lite' and 'PU Spyke'. The firm has a factory unit in Bahadurgarh (Haryana), with installed capacity of 25 lakh pairs per annum. SI's promoter has around three decades of experience in the footwear industry.

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*Rating  
Rationale*

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