



Press Release
SRI SHYAM FASHION INDIA PRIVATE LIMITED
March 11, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	83.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	7.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	90.50	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Acuite BB+** ' (read as **Acuite Double B plus**) and short-term rating of '**Acuite A4+** ' (read as **Acuite A four plus**) on the Rs. 90.50 Cr. bank facilities of Sri Shyam Fashion India Private Limited (SSFIPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned considers the established track record of the group over the last two decades along with its experienced management. The rating is further supported by moderate financial risk profile for the group marked by moderate net-worth, healthy gearing and average debt protection metrics with debt-equity stood at 0.63 times and DSCR at 1.79 times as on 31st March 2023. However, these strengths are partly offset by the intensive working capital operations for the group as marked by higher GCA days of 164 days in FY23. Further, it also factors in the delay faced by the SSFIPL for the planned capex.

About Company

Incorporated in November 2015, Sri Shyam Fashion India Private Limited (SSFIPL) is engaged in the manufacturing and trading of grey fabrics as well as denim fabrics. The products manufactured by the company are majorly sold to various traders of various textile products in the domestic market. The current directors of the company are Mr. Suresh Kumar Jalan, Mr. Vaibhav Jalan, and Mr. Saurav Jalan.

About the Group

Incorporated in March 2003, Sri Shyam Fashion Textiles Private Limited (SSFTPL) is engaged in the trading of various types of fabrics. The products traded by the company are sold to various manufacturers of readymade garments in the domestic market. The company operates through its registered & corporate office located at Strand Road in Kolkata, West Bengal. The day-to-day operations of the company are looked after by Mr. Suresh Jalan along with his sons – Mr. Saurav Jalan and Mr. Vaibhav Jalan.

Unsupported Rating

Not Applicable

Analytical Approach

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the rating of SSFIPL, Acuite has consolidated the financials of SSFIPL and SSFTPL, as these entities are running under a common management, dealing in similar product line and having strong operational & financial linkages between themselves.

Key Rating Drivers

Strengths

Established track record with professional and experienced management.

Sri Shyam Fashion Group has an established track record of operations dating back more than two decades. Over the years group has established a strong position in the manufacturing of denim fabrics as well as trading of various types of fabrics in the domestic markets. The experience of the management is reflected in the growing operations of the group. The revenue of the group stood at Rs 517.17 crore in FY 2023 as compared to Rs 429.91 crore in FY 2022 and Rs 257.26 crore in FY 2021. Further, the group has achieved a revenue of Rs. 330 crore till December 2023. On a standalone basis SSFIPL marked a revenue of Rs.166.66 crore in FY23 as against Rs.151.33 crore in FY22. The EBITDA margins of the group increased to 4.94 percent in FY23 as against 4.84 percent in FY22. However, the EBITDA margins of SSFIPL stood low at 3.48 percent in FY23 as against 6.98 percent in FY22 and 13.84 percent in FY2021, this is mainly due to higher material cost for the company on account of higher revenue share from trading activity in the company.

Acuite believes that the industry experience and domain knowledge of the management are expected to support its business risk profile over the medium term.

Moderate Financial Risk Profile.

The financial risk profile of the group stood moderate, marked by moderate net worth, healthy gearing (debt-equity) and average debt protection metrics. The tangible net worth of the group stood at Rs. 119.68 crores as on 31 March 2023 as against Rs.103.78 crore as on 31 March 2022. The increase in net worth was on account of accretion of profits to reserve and consideration of quasi equity of amount 9.83 crore for SSFIPL and Rs.16.6 for SSFTPL as per undertaking given to the bankers for subordination. The total debt of the group stood at Rs. 75.93 crore which includes long term loan of Rs.11.7 crores, short-term loan of 53.82 crore in terms of CC and unsecured loan of Rs.10.41 crore as on 31 March 2023. The gearing (debt-equity) stood at 0.63 times as on 31 March 2023 as compared to 0.69 times as on 31 March 2022. However, the gearing of the group is expected to rise on account of additional term loan which will be availed by SSFIPL. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.25 times as on 31 March 2023 as against 1.76 times as on 31 March 2022. DSCR stood at 1.79 times for FY2023 as against 1.43 times for FY2022. ICR stood at 2.86 times for FY2023 as against 2.61 times for FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.19 times for FY2023 as against 0.13 times for FY2022.

Acuite expects the financial risk profile of the group will remain moderate on account of improvement in cash accruals going ahead against the increase in debt for the group.

Weaknesses

Intensive Working Capital operations

The working capital management of the group is intensive marked by GCA days of 164 days in FY23 as against 213 days in FY2022. Higher GCA days are on account of higher debtors and inventory for the group. The inventory days for the group stood at 76 days in FY2023 as against 90 days in FY2022. Going ahead the inventory days for the group is expected to reduce on account of inhouse processing dying for the denim fabrics. Subsequently, the debtor's collection period stood at 86 days in FY23 as against 118 days in FY2022. The creditors' days decreased to 55 days in FY23 as against 103 days in FY22. As a result, the utilizations of working capital limits were marked high as reflected by utilizations of fund-based limit of around 91 percent for SSFIPL and 84 percent for SSFTPL in the last 9 months ended December' 2023.

Acuite believes that the working capital operations of the group may improve on account of decrease in inventory days going ahead.

Delay in the planned capex.

SSFIPL is currently outsourcing the activities of yarn dyeing & denim fabrics finishing to third parties, in the absence of any dedicated manufacturing facility for the same. However, the company has planned to set up an indigo dyeing unit, which will act as a backward integration (yarn dyeing) as well as a forward integration (denim fabrics finishing) for the company. The capex for the same is estimated to cost Rs.81.64 crore which will be funded by the term loan from bank of Rs.49.6 crore and remaining by equity infusion and unsecured loan from the promoter. As learned from the management, Gujarat government had rolled out the Gujarat Textile Policy, which grants a capital subsidy to the textile players and to reap in the benefits of subsidy, the company has duly extended the COD by 9 months for both the phases of operations.

Rating Sensitivities

- Timely completion of planned capex.
- Any deterioration in working capital operations and liquidity profile.
- Improvement in the scale of operations and profitability while maintaining comfortable capital structure of the group.

Liquidity Position

Adequate

The group's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The group generated net cash accruals in the range of Rs.8.17-14.75 Crore from FY2021-23 against its maturity repayment obligations of around Rs.3.90-4.15 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.18.86-24.21 crores against the maturing repayment obligations of Rs.5.3-9.10 crore over the medium term. However, the working capital management of the group is intensive marked by GCA days of 164 days in FY2023 as against 213 days in FY2022. As a result, the utilizations of working capital limits are marked high as reflected by utilizations of fund-based limit of around 91 percent for SSFIPL and 84 percent for SSFTPL in the last 9 months ended December' 2023. The group maintains unencumbered cash and bank balances of Rs.2.64 crore as on March 31, 2023. The current ratio stands at 1.78 times as on March 31, 2023 as against 1.55 times as on 31 March, 2022.

Acuite believes the liquidity position of the group may continue to remain adequate with steady cash accruals against the repayment obligations.

Outlook : Stable

Acuite believes the outlook on SSFG will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the group is able to successfully utilize higher capacity which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by SSFG leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the group.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	517.17	429.91
PAT	Rs. Cr.	11.60	6.13
PAT Margin	(%)	2.24	1.43
Total Debt/Tangible Net Worth	Times	0.63	0.69
PBDIT/Interest	Times	2.86	2.61

Status of non-cooperation with previous CRA (if applicable)

Brickwork Ratings, vide its press release dated December 14, 2023, had denoted the rating to Sri Shyam Fashion India Private Limited (SSFIPL) as 'BWR BB- /Stable /BWR A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE A4+ Assigned
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.50	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	26 Mar 2021	Not avl. / Not appl.	30 Jun 2024	Simple	0.79	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	30 Dec 2021	Not avl. / Not appl.	30 Nov 2026	Simple	2.28	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.69	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	13 Dec 2016	Not avl. / Not appl.	30 Jun 2026	Simple	5.64	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	30 Sep 2024	Not avl. / Not appl.	31 Mar 2033	Simple	49.60	ACUITE BB+ Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sri Shyam Fashion Textile Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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