

Yogesh Trading Company

July 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	49.00	CARE BB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Yogesh Trading Company is constrained by the low profitability margins of the firm owing to trading nature of business along with the working capital-intensity of operations. The rating is further constrained by the constitution of the firm being a partnership firm which has also led to the frequent withdrawal of capital by the partners. The rating is also factors in the presence of the firm in a highly competitive Industry. However, the ratings derive strength from the moderate capital structure of the firm along with the long-standing experience of the partners of the firm which is reflected in the diversified customer base, and a reputed supplier base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in total scale of operations to more than Rs. 750 crores along with improvement in profitability margins of the firm as reflected by PBILDT margin of more than 5% on a sustained basis
- Improvement in the operating cycle of firm as reflected by collection period of less than 60 days on a sustained basis.

Negative factors

- Elongation of Gross current asset beyond 180 days on sustained basis
- Deterioration in the capital structure of the firm as marked by an overall gearing above 1.50x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall benefit from the long-standing experience of its partners in the textile industry.

Detailed description of the key rating drivers:

Key weaknesses

Fluctuating scale of operations coupled with low profitability margins

The scale of operations of the company remained fluctuating marked by a total operating income of the firm in FY24 (refers to the period from April 01 to March 31) of Rs. 630.52 crores as against Rs. 734.94 crores in FY23 and Rs. 645.16 crores in FY22. The scale of operations of the company remains dependent of demand for textile products in Indian market along with competition from domestic as well as international manufacturers. The company has achieved a topline of approximately Rs. 90 crores in 2 months of FY25.

Being a trading entity along with operating in a highly fragmented industry characterized by intense competition, the profitability margins of the firm have remained low over the years with PBILDT margin hovering around 3-4% over the last five financial years. The PBILDT margin and PAT margin stood at 3.28% and 2.17% respectively in FY24 as compared to 3.19% and 2.77% respectively in FY23. Going forward, the PBILDT margins are expected to remain in the range of 3-5%, albeit improving in absolute terms.

Working capital intensive nature of operations:

The operations of the firm are working capital intensive as reflected by the Gross Current Assets (GCAs) of 146 days as on March 31, 2024, as compared to 132 days as on March 31, 2023. The working capital requirements are primarily driven by high collection period of 95 days as on March 31, 2024, as against 84 days as on March 31, 2023. The firm offers a liberal credit period of around 3-3.5 months to its customers to push sales owing to the subdued textile demand in the market. The inventory days and creditors days stood at 50 and 77 respectively as on March 31, 2024, as against 43 and 66 as on March 31, 2023.

Constitution of the entity being a partnership firm:

YTC's constitution being a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and firm being dissolved upon the death/retirement of any of the partners. Moreover, partnership firms

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

have restricted access to external borrowing as credit worthiness of partners would be key factors affecting credit decision for lenders. The partners of the firm have also withdrawn their capital in the past thereby exposing the firm to constitution risk.

Presence in fragmented and competitive industry

The firm operates in the textile Industry, with significant exposure towards the denim Industry. The denim fabric industry is highly cyclical in nature, with periods of excess capacity, followed by tight demand-supply conditions. The industry is highly fragmented with the presence of both large and small players operating in the industry, which results in limiting the bargaining power of the firm.

Key strengths

Moderate capital Structure:

The capital structure of the firm stood moderate as reflected by debt to equity and overall gearing ratio of 0.32x and 1.13x respectively as on March 31, 2024, as compared to 0.30x and 1.03x as on March 31, 2022. The Interest coverage ratio and Total Debt to Gross cash accruals (TDGCA) of the firm stood at 2.63x and 6.44x respectively as on March 31, 2024, as compared to 3.19x and 4.06x as on March 31, 2023. The moderation in the TDGCA was on account of increased working capital borrowings of the firm resulting from an elongation in working capital cycle.

Experienced Partners:

YTC is led by Mr. Deepak Gambhir, who has an experience of more than 2 decades in the Denim Industry. He is supported by his wife, Mrs. Seema Gambhir and International cricketer, Mr. Gautam Gambhir, who also holds 20% shareholding in the firm. The partners of the firm are supported by a staff strength of 70 people, which includes an on-ground sales team of 25 personnels.

Diversified customer base

The firm primarily trades its products to various retail dealers based out of Delhi (Approximately 90% of the total sales amount). The top 10 customers of the firm accounted for ~44% of the total sales value as on March 31, 2024, as compared to ~40% as on March 31, 2023. However, a single customer named M/S J.K. Jain Sparky India LLP accounts for ~32% of the total sales value of the firm in FY24, thereby exposing the firm to concentration risk arising from a singular customer as any credit risk associated with J.K. Sparky would directly impact the total sales of YTC. However, this risk is mitigated to a certain extent as J.K. Jain Sparky India LLP has been associated with the firm since 1997 and has been its biggest customer since last 2 decades.

Liquidity: Adequate

The liquidity profile of the firm stood moderate as marked by expected gross cash accruals of approximately Rs. 22-23 crores as against repayment obligations of Rs. 11.58 crores for FY25. The average working capital utilisation stood at around 90% for the trailing 12 months ending May 2024. The current ratio and quick ratio of the firm stood at 1.34x and 0.89x respectively as on March 31, 2024, as against 1.38x and 0.97x respectively as on March 31, 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Trading - Textile Products

Yogesh Trading Company (YTC) is a dealer as well as distributor of denim and non-denim fabric producers in India. The firm majorly trades in the Delhi market, which accounts for approximately 90% of the sales of the firm. The directors of the firm include Mr. Deepak Gambhir, Mrs. Seema Gambhir and International cricketer, Mr. Gautam Gambhir.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	2MFY25(UA)
Total operating income	734.94	630.52	90.00
PBILDT	23.48	20.66	NA
PAT	20.38	13.66	NA
Overall gearing (times)	1.03	1.13	NA
Interest coverage (times)	3.19	2.63	NA

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has placed the rating assigned to the bank facilities of Yogesh Trading Company into Issuer Not Cooperating category vide their press release dated May 15, 2024, on account of their inability to carry out a review in the absence of requisite information.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	49.00	CARE BB+; Stable

Annexure-2: Rating history for the 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-Working Capital Limits	LT	49.00	CARE BB+; Stable	-	-	-	-

LT: Long term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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