

Spykar Lifestyles Private Limited

February 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating1	Rating Action
Long Term Bank Facilities	-	-	Downgraded to CARE BBB-; Stable from CARE BBB; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has downgraded and withdrawn the ratings of 'CARE BBB-; Stable' on the bank facilities of Spykar Lifestyles Private Limited (SLPL) with immediate effect. The above action has been taken at the request of the company and the 'No Objection Certificate' received from the lender(s) that have extended the facilities rated by CARE Ratings Limited (CARE Ratings). The rating action is in line with CARE Ratings' policy on withdrawal of credit ratings.

The revision in rating takes into account significant adverse deviation in financial performance for FY24 (FY refers to period April 01 to March 31) compared to envisaged where total operating income, PBILDT and PAT remained lower by 10%, 22% and 76% respectively. Additionally, due to lower than envisaged profitability and cash accruals, the debt coverage indicators have remained weaker than envisaged. There is also a sharp deterioration in working capital cycle days during FY24 compared to FY23 resulting into negative cash flow from operation during FY24.

The ratings, derive strength from the extensive experience of the promoters, management's extensive experience in the retail lifestyle industry, established brand name 'Spykar' in denims with vast reach in Indian market, asset light business model providing flexibility and long-standing relations with suppliers.

The ratings, however, continue to be constrained by its presence in a highly competitive fashion retail industry, which is vulnerable to changes in fashion trends, consumer preferences and economic cycles and leveraged capital structure. Ratings also factor in current weak consumer spending impacting value segment of apparel retail which limits revenue growth in the near term.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings' expectations that SLPL will continue benefit from strong promoters, management's experience in the retail lifestyle industry and established brand name 'Spykar' in denims with vast reach in domestic market.

Detailed description of key rating drivers:

Key strengths

Strong promoter group and exhibited financial support provided by the promoter:

Metdist group holds majority stake in Spykar Lifestyles Private Limited (SLPL). The group has supported the operations of the company by providing need based financial support to Spykar. Metdist Industries Holdings Limited, Metmin Investment Holdings Limited & Metmin Investment & trading Private Limited are the shareholders of SLPL. The Metdist Group is promoted by the Bagri family based in Malaysia. Founded by Lord Bagri, the group is now managed by Mr. Apurv Bagri, President & CEO Group. The Group is primarily into manufacturing of electrical conductivity grade copper wires which are used in rods, insulated and non-insulated copper strips which is used in refrigeration and air-conditioning industry in Malaysia and worldwide; the group also has a presence in fabrication, apparel, real estate and insurance.

Management's experience in the retail lifestyle industry:

Mr. Sanjay Vakharia has been associated with Spykar since its inception. He is responsible for the overall Marketing & Brand Communication strategies of the company. Mr. Vakharia has followed a distribution strategy of retailing through Multi Brand Outlet across India, and through Large Format Stores like Shoppers' Stop, Lifestyle, Pantaloons etc.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications

Established brand name 'Spykar' in denims and vast reach in Indian market:

The brand 'Spykar' is targeted towards the youth in the premium and medium segment mainly within the men's casual wear category. SLPL has an in-house design and product development team which makes samples and provides the same to vendors for manufacturing. As on October 31, 2023 the company has 1845 outlets/point of sale and around 61% are Exclusive/ Multi brand outlets (EBOs/MBOs).

Asset light business model providing flexibility:

The company achieves most of its revenue through EBO (Exclusive-Brand Outlets), MBO (Multi-Brand Outlets) and LFS (Large Format Stores) where EBOs are franchisee based and MBO and LFS are owned by the large retailers viz. Shopper Stop, Central, Pantaloons. This provides flexibility to SLPL for not investing in fixed assets. As the capital expenditure requirement to scale up the operations is minimal, this enables the company to maintain growth while managing working capital requirements. Besides, the security deposits collected from the franchisee, provides funding source for 10-15% of store inventory.

Arrangement with suppliers:

SLPL outsources the manufacturing of the garments to known players such as Indaco, Wonderblues and Bestsellers, whereas fabrics are used of well-known brands such as Raymonds, Arvind mills etc who also manufacture for larger apparel players. SLPL is involved in the fabric selection at negotiated rates through the appointed vendors and this also enables the company to have a control over the quality of fabric. The company manages to avail credit of 30-90 days from suppliers which adds to the working capital flexibility of SLPL.

Key weaknesses**Weak profitability and cash accruals in FY24 with lower than envisaged**

The Income from Operations has shown a slight decline to Rs. 597.49 crores in FY24 as compared to Rs. 603.04 crores in FY23, as the products sold by SLPL as consumer discretionary. Due to lower fixed cost absorption both PBILDT margin and PAT margin have deteriorated in FY24 at 6.73% (PY:7.65%) and 0.97% (3.49%) respectively.

Total operating income, PBILDT and PAT remained lower by 10%, 22% and 76% respectively during FY24 as compared to envisaged level. Additionally, due to lower than envisaged profitability and cash accruals, the debt coverage indicators have remained weaker than envisaged.

Working capital intensive nature of operations and leveraged capital structure:

The company's overall gearing has deteriorated to 3.01x as on March 31, 2024 as compared to 2.53x as on March 31, 2023, mainly on account of increased fund based facilities utilization. Owing to the retail focus and franchise-based model, as per the last surveillance in FY23 around 91% of its revenues is generated by its exclusive stores, large format retail stores and multi brand outlets which was around 85% in FY22. As per the last surveillance, the company has to provide 6 months credit period to the large retailers resulting into higher collection period. Working capital cycle has deteriorated to 218 days in FY24 as against 143 days in FY23 on account of increase in both its collection period and inventory period in FY24 at 195 days and 124 days respectively.

Operating performance exposed to economic down-cycles

Retail clothing and apparel industry has heavy dependence on disposable income of its customer segment and is susceptible to economic cycles because of discretionary purchases. Retail clothing and apparel industry is facing subdued demand for value segment and online channel, which had an impact on its overall performance. The Indian economy has been experiencing a slowdown currently, coupled with high inflation and continued high interest rates. This has led to reduced disposable income, making consumers more cautious about their spending. There has been a noticeable shift in consumer spending towards other lifestyle avenues, such as travel and electronics, rather than apparel. This shift is partly due to changing consumer preferences and the need to prioritise essential over discretionary spending. After an initial surge in spending post-pandemic, driven by pent-up demand, growth rate in retail sales slowed down. This deceleration is evident across segments, including apparel.

Intense Competition:

The Apparel Industry is fragmented and highly competitive. There are a number of major players, many niche stores and private companies that cater to specific demographics. Also, general merchandisers and foreign companies bring more competition to the sector. Having the right product is also essential; fashion trends change frequently, and companies need to adapt to varying consumer tastes quickly.

Liquidity: Adequate

As confirmed by the bankers, the average utilization of its fund-based limit remained high in the range of 90 to 95% for period of past 12 months ended December 31, 2024. The cash flow from operations continue to remain negative in FY24 and FY23. The cash and balance stood comfortable at Rs.13.85 crore as on March 31, 2024.

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](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Retail](#)
About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Retailing	Distributors

Incorporated in 1992, Spykar Lifestyle Private Ltd. (SLPL) is engaged in retailing of affordable to premium denim wear in domestic market under the brand name of 'Spykar'. The company provides complete casual range which includes jeans, fashionable denims, caps, cargo's, shirts and t-shirts. SLPL does not undertake manufacturing activity of its own, but primary designing and specific is done at company's end. The company has specification for each and every product which is provided to the job worker for procurement and production of product. The company supervises the manufacturing activity carried out by outsourcing vendors. As on November 30, 2023, the company has 290 exclusive business outlets operating in various cities across India mainly in Metro and Tier 1, 2 & 3 cities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	603.04	597.49
PBILDT	46.10	40.21
PAT	21.07	5.82
Overall gearing (times)	2.53	3.01
Interest coverage (times)	2.17	1.14

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable**Any other information:** Not Applicable**Rating history for last three years:** Annexure-2**Detailed explanation of covenants of rated instrument / facility:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Lender details:** Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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-Cash Credit	LT	-	-	1)CARE BBB-; Stable (03-Feb-25)	1)CARE BBB; Stable (27-Dec-23)	1)CARE BBB; Stable (03-Jan-23)	1)CARE BBB-; Stable (09-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

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

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Krunal Pankajkumar Modi Director CARE Ratings Limited Phone: 079-40265614 E-mail: krunal.modi@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Raunak Modi Assistant Director CARE Ratings Limited Phone: 91-22-6754 3537 E-mail: raunak.modi@careedge.in
	Renuka Mahimkar Analyst CARE Ratings Limited E-mail: Renuka.Mahimkar@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. CARE Ratings Limited does not conduct an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved in other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.