

York Exports Limited

February 23, 2021

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term bank facilities	8.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus: Outlook: Stable; ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Facilities	8.00 (Rupees Eight crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from York Exports Limited (YEL) to monitor the rating vide its letter dated February 08, 2021, and e mails dated February 05, 2021, January 28, 2021, January 14, 2021 and phone calls and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on York Exports Limited's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

The rating has been revised by taking into account non-cooperation by York Exports Limited with CARE'S efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating assigned to York Exports Limited continues to remain constrained due to small scale of operations, deterioration in overall solvency position, exposure to raw material price volatility and highly competitive and fragmented nature of the industry. The rating, however, derives strength from the experienced directors, long track record of operations, moderate profitability margins and favorable location of operations.

Key Rating Weaknesses

Small scale of operations

The total operating income of YEL increased from Rs.18.45 crore in FY19 to Rs.25.03 crore in FY20 (refers to the period April 01 to March 31). However, the total operating income of the company declined by ~16% to Rs.20.16 crore in 9MFY21 (Unaudited).

Deterioration in capital structure and debt coverage indicators

The overall gearing ratio of the company deteriorated to 1.15x, as on March 31, 2020 (0.90x as on March 31, 2019). Further, the total debt to GCA ratio also deteriorated to 8.70, as on March 31, 2020 (PY: 7.01x). The interest coverage ratio continued to remain at a moderate level of 2.07x in FY20 (PY: 2.39x).

Exposure to raw material price volatility

The entities in the textile industry are susceptible to fluctuations in raw material prices. Cotton yarn and fabric (main raw material) being an agricultural product, its demand supply situation depends on various natural conditions like monsoons, drought and floods. It being a product of international importance, its price is highly volatile depending on the demand-supply situation in the global markets. However, YEL is able to pass on changes in raw material prices to customers.

Highly competitive and fragmented nature of industry

The company operates in the textile manufacturing and processing industry which is highly competitive industry with presence of numerous independent small-scale enterprises owing to low entry barriers leading to high level of competition in the processing segment. Furthermore, the Indian textile industry also faces competition from the low cost countries like China and Bangladesh. The intense competition in the textile processing industry also restricts ability to completely pass on volatility in input cost to its customers, leading to lower profit margins.

Furthermore, the company has availed moratorium of 6 months from bank in light of COVID-19 pandemic for its debt obligations.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Key Rating Strengths

Experienced directors and long track record of operations

The overall operations of the company are looked after by Mr. Gian Chand Dhawan, Mr. Ashwani Dhawan, Mr. B.B. Jain and Mr. Aayush Dhawan as its directors, having an industry experience of nearly five decades, three decades, three decades and one decade respectively which they have gained through their association with YEL and other group concerns. The promoters have adequate acumen about various aspects of business which is likely to benefit YEL in the long run. Furthermore, the promoters are supported by experienced team having varied experience in the field of technical, marketing and finance aspects of business.

Constituted in 1983, YEL has a long track of business operations of more than three decades. It has established the brand name 'Club York' in the fashion industry and the company receives repeat orders owing to long presence in the industry and established relationship with the customers.

Moderate profitability margins

The profitability margins of the company remained at a moderate level marked by PBILDT margins of 8.31% and PAT margins of 1.35% in FY20. (9.22% and 2.09% respectively in FY19).

The profitability margins of the company also remained at a moderate level marked by PBILDT margins of 9.08% and PAT margins of 2.13% in 9MFY21 (8.22% and 2.38% respectively in 9MFY20).

Favorable location of operations

Ludhiana is a well-established hub of textiles. The company benefits from the location advantage in terms of easy accessibility to customer base for knitted fabrics located in Ludhiana. Additionally, textile products like yarns and fabric are readily available owing to established supplier base in the same location as well. Furthermore, skilled laborers are also available by virtue of it being situated in the textile cluster.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

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

[CARE's methodology for manufacturing companies](#)

[CARE's methodology for textile companies](#)

[Financial ratios –Non-Financial Sector](#)

About the company

York Exports Limited (YEL) was incorporated as a private limited company in March, 1983. However, it was converted into a public limited company in 1995 and is currently being managed by Mr. Gian Chand Dhawan, Mr. Ashwani Dhawan, Mr. B.B. Jain and Mr. Aayush Dhawan as its directors. The company is engaged in the manufacturing of garments at its manufacturing facility located at Ludhiana, Punjab with an installed capacity of manufacturing 18 lakh pieces of garments per annum as on December 31, 2019. The main products include sweaters, jackets, coats, jeans, shirts, joggers, etc. YEL's manufacturing plant is SEDEX certified. The company sells its products under the brand name of "Club York".

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	18.45	25.03
PBILDT	1.70	2.08
PAT	0.39	0.34
Overall gearing (times)	0.90	1.15
Interest coverage (times)	2.39	2.07

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	8.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (23-Mar-20)	-	-

*Issuer did not cooperate; based on best available information

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

Annexure 4: Complexity level of various instruments rated for this company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Mr. Gaurav Gupta

Group Head Contact no.- 92161-33858

Group Head Email ID- Gaurav.g@careratings.com

Business Development Contact

Name: Mr. Anand Jha

Contact no. : 85111-53511

Email ID : anand.jha@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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 is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE'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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**