

Sri Shyam Fashion Textiles Private Limited

February 24, 2023

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Sri Shyam Fashion Textiles Private Limited (SSFTPL) to monitor the rating(s) vide e-mail communications dated October 09, 2022, December 06, 2022, and February 17, 2023, among others 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 Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, SSFTPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Sri Shyam Fashion Textiles Private 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(s).

The ratings have been revised considering subdued profitability in FY22 (refers to the period April 01 to March 31), impacting the debt protection metrics.

The rating continues to remain constrained by working capital intensive nature of operations, profitability susceptible to volatility in prices of traded goods and intensely competitive nature of industry. However, the aforesaid constraints are partially offset experienced promoters, satisfactory capital structure, diversified customer profile and focus on trading of value-added products.

Applicable approach: Standalone

Detailed description of the key rating drivers

At the time of last rating on **December 03, 2021**, the following were the rating strengths and weaknesses (updated for the information available from Annual Report for the financial year 2022 from Registrar of Companies).

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderation in financial performance in FY22

Despite increase in total operating income from Rs 191.13 crore in FY21 to Rs 285.48 crore in FY22, profitability has remained subdued. While PBILDT margin moderated from 4.34% in FY21 to 3.58% FY22, the same remains lowest over the last five fiscals. PAT also remains impacted at Rs 1.95 crore against Rs 10.95 crore (includes income from earlier years of Rs 9.07 crore) in FY21.

Working capital intensive nature of operations

The working capital cycle although improved from 210 days in FY21 to 142 days in FY22 backed by better collection period and lower inventory day, however, continues to remain high. The average collection days stood at 120 days in FY22 as against 158 days in FY21 while the average inventory days stood at 99 days in FY22 as against 161 days in FY21.

Profitability susceptible to volatility in prices of traded goods

SSFTPL continues to operate at low profit margin due to its trading nature of business marked by high competition and low bargaining power. Cost of traded goods accounts for more than 80% of total cost of sales and accordingly, the company's profitability is susceptible to volatility in prices of traded goods. Further, SSFTPL procures materials from large players like Jindal Worldwide Ltd, Arvind Ltd, Century Denim (a division of Century Textiles and Industries Ltd) which restricts the bargaining power of SSFTPL. The company tries to avail the benefit of cash discount of around 3% by procuring in bulk from the manufactures/suppliers.

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

*Issuer did not cooperate; based on best available information.

Intensely competitive nature of industry

The company operates in trading business that has limited value addition, low entry level barriers coupled with fragmented in nature owing to presence of a large number of organized and unorganized players which make competition intense. Moreover, marginal product differentiation further intensifies the competition.

Key Rating Strengths

Experienced Promoters

SSFTPL has a long track record of operation of more than seven decades since its inception in 1950 as a proprietorship concern. The promoter Mr Suresh Kumar Jalan is associated with the business for more than three decades. Under his leadership the company has gradually grown over the years.

Satisfactory capital structure and debt protection metrics

The capital structure of the company is satisfactory marked by overall gearing ratio of 0.94x as on March 31, 2022 (0.97x as on March 31, 2021). Interest coverage continues to remain moderate at 1.81 times in FY22 against 1.47 times in FY21. However given impacted profitability the TD/GCA moderated from 5.11 times in FY21 to 22.08 times in FY22.

Diversified customer profile

The company derives majority of its revenue from sale of traded goods in Kolkata. SSFTPL also deals with various wholesalers and garment manufacturers in Delhi, Mumbai, Ahmedabad, Indore and other cities in India. Moreover, contribution of its top five customers does not exceed 20% of its total sales in FY21 (Prov.). SSFTPL supplies to companies like Lux Industries Ltd, Atharv Textiles, Hoffmen Fashions and also to retailers like Avenue Supermarts Ltd (DMART) and Reliance Trends.

Focus on trading of value added products yielding better operating margin

The company also buys grey fabrics from manufacturers and further processes it, i.e. dyeing, designing, rubbing, peaching and printing, on job work basis as per prevailing market trends which constitutes around 35-40% of the total sales.

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

About the company and industry

SSFTPL was incorporated by Mr. Suresh Kumar Jalan of Purulia (West Bengal) in March 2003. The company started its operation as a proprietorship concern under the guidance of Late Mr. Babulal Jalan (father of Mr. Suresh Jalan) in 1950. Later, with the growth in operations it was reconstituted as a private limited company under the leadership of Mr. Suresh Jalan. The company started its operations in Kolkata in 1990.

SSFTPL is engaged in the trading of clothing fabrics and operates in the domestic market. The company mainly deals in the kids wear segment. It procures fabrics and denims (Lycra, Non-lycra, solids, printed fabrics etc.) from manufacturers/textile millers and sells the denims, in wholesale market or to garments manufacturers of Kolkata, Delhi, Ahmedabad and Mumbai with major focus in Kolkata. The company also buys grey fabrics from manufacturers and further processes it, i.e. dyeing, designing, rubbing, peaching and printing, on job work basis as per prevailing market trends which constitutes around 35- 40% of the total sales. SSFTPL has its rented warehouses in Lungi, Budge Budge (West Bengal) and Ahmedabad.

Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Garments & Apparels

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	191.13	285.48	NA
PBILDT	8.30	10.21	NA
PAT	10.95	1.95	NA
Overall gearing (times)	0.97	0.94	NA

Interest coverage (times)	1.47	1.81	NA
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A: Audited; UA: Unaudited; Ratios are classified as per CARE Ratings Standards; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of the rated facilities: Detailed explanation of the covenants of the rated facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working Capital Limits	LT	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (03-Dec-21)	1)CARE BBB-; Negative (26-Mar-21)	1)CARE BBB-; Negative (02-Mar-20)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (03-Dec-21)	1)CARE BBB-; Negative (26-Mar-21)	1)CARE BBB-; Negative (02-Mar-20)

*Issuer did not cooperate; based on best available information.

Annexure-3: Detailed explanation of the 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-Cash Credit	Simple
2	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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About us:

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