

## Fashion Accessories

March 24, 2022

### Rating

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.88	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	35.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus ; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>40.88 (Rs. Forty Crore and Eighty-Eight Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Fashion Accessories (FA) to monitor the rating(s) vide e-mail communications/letters dated February 21, 2022, March 03, 2022, March 11, 2022, etc. among others and numerous phone calls. However, despite our repeated requests, the firm 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. The rating on Fashion Accessories's bank facilities will now be denoted as **CARE BB+; Stable / CARE A4+; 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 rating has been revised on account of non-availability of requisite information due to non-cooperation by Fashion Accessories with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the ratings take into account currency fluctuation risk on account of higher proportion of export sales, geographic and customer concentration risks along with constitution of the entity being a partnership firm. The ratings also factor in the presence of FA in competitive textile industry. The ratings, however, draw comfort from experienced promoters and management team, growing scale of operations with moderate profitability margins and comfortable capital structure and debt service coverage indicators. Further, the rating continues to draw comfort from moderate operational and established relations with its key customers.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Currency fluctuation risk due to high proportion of export sales and Geographical concentration

The firm is exposed to foreign exchange fluctuation risk on account of majority of revenue from export income (~87% during FY20) and absence of any major natural hedge (as the raw materials are mostly domestically procured). Further, any adverse movement in the currency can impact the profitability of FA. The firm has availed a forward purchase contract facility to mitigate exchange risks involved in exports and turnover based credit insurance facility is availed by the firm as most the sales are not backed by any LC. FA is engaged in the manufacturing and export of garments and accessories mainly to the USA and Singapore. Due to high geographic concentration, the firm is also exposed to unfavourable changes in the government policy of that particular country to which it exports.

#### Competitive nature and fortunes linked to textile industry

The firm operates in the garments manufacturing which is highly competitive industry with presence of numerous players owing to low entry barriers. Textile industry as a whole remains vulnerable to various factors such as fluctuations in prices of cotton, mobilization of adequate workforce and changes in government policies for overall development of the textile industry. Any adverse changes in the global economic outlook as well as demand-supply scenario in the domestic market directly impacts demand of the textile industry.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Constitution of entity being partnership firm

Constitution of the entity being a partnership firm, there are inherent risks withdrawal of capital and dissolution of the firm in case of death/ insolvency of partners. In a period of three years (FY18 to FY20), the firm has generated PAT of Rs.62.20 crore and the partners have withdrawn Rs.56.74 crore.

### Key Rating Strengths

#### Experienced promoters and management team

Mrs. Chandrika Thatai, one of the partners has done MTech (Diploma) from NIFT and has more than 20 years of experience in textile industry. She looks after finance and operations of the firm. The other partner, Mr. Aashray Thatai has done ME from Boston (USA) and MBA from ISB. He has more than 7 years of experience and looks after factory operations, design and quality controls, Strategic planning and business development of the firm. The partners are supported by an experienced team of management personnel having experience in the relevant area of business operations.

#### Established relationship with its key customers though revenue concentrated

The top three customers of the firm accounted for 87% of total revenue during FY20 exposing the firm to client concentration risk. This also exposes the firm's revenue growth and profitability to its customer's future growth plans. However, the firm has been getting the repetitive orders over the years from its customers. This long-term and close relationship with its clients is reflective of the firm's demonstrated ability to provide quality products.

#### Growing scale of operations along with moderate profitability

Total income of the firm increased by 14% during FY20 to Rs.293.74 crore on account of increased orders from existing clients. The PBILDT margin remained stable at 15.00% in FY20 (PY: 16.15%). The PAT margin has shown marginal improvement in line with PBILDT margin and stood at 8.48% in FY20 (PY: 8.29%). During 9MFY21 (UA), FA reported total operating income of Rs.228 crore (PY: Rs.221.54 crore).

#### Comfortable capital structure and Debt service coverage indicator

The firm has a comfortable capital structure characterized by an overall gearing of 0.55x as on March 31, 2020 as against 0.35x as on March 31, 2019. The overall gearing moderated in FY20 due to withdrawal of funds of Rs.35.72 crore in FY20 by partners for the purpose of restructuring of partnership, Mr. Anoop Thatai is replaced by Mr. Aashray Thatai. The total debt of the firm is Rs.22.27 crores as on March 31, 2020. In FY21, the partners have infused Rs.4.35 crore. On account of low dependence on external borrowings and moderate profitability margins, the debt coverage indicators of the firm stood comfortable marked by Interest coverage and total debt to gross cash accruals at 19.91x and 0.79x in FY20 respectively.

#### Liquidity: Adequate

The Liquidity position of firm remains adequate marked by current ratio of 1.45x as on March 31, 2020. Working capital limits are utilized on an average of 29% for the past 11 months ending February 2021. Further, the liquidity profile of the firm is also supported by moderate cash accruals that stood at Rs.28.17 crore in FY20 against debt repayment of Rs.3.36 crore in FY21. The firm had not availed moratorium as per RBI guidelines.

#### Analytical approach: Standalone

#### 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](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

#### About the Firm

Fashion Accessories (FA), a manufacturer and exporter of home textiles, is a partnership firm with partners Mr. Aashray Thatai and Mrs. Chandrika. The firm was started in the year 2000 and has three manufacturing facilities located in Gurgaon with checking, sewing and finishing equipment. It is involved in manufacturing and exports of a wide range of products including scarfs, throws, duvets, quilts, drapes and table linen. During FY20, export sales comprised around 87% of total operating income.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	9MFY22*
Total operating income	257.84	293.74	NA
PBILDT	41.64	44.06	NA
PAT	21.38	24.92	NA
Overall gearing (times)	0.35	0.55	NA
Interest coverage (times)	17.97	19.91	NA

A: Audited

\*refers to the period from April 1, 2021 to December 31, 2021.

Note: FY21(A) financials are not available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (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 for this company:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ST-EPC/PSC		-	-	-	15.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT/ST-EPC/PSC		-	-	-	10.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT/ST-EPC/PSC		-	-	-	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	October 2022	5.88	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ST-EPC/PSC		-	-	-	5.00	CARE BB+; Stable / CARE A4+; 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ST-EPC/PSC	LT/ST*	15.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable / CARE A3 (05-Apr-21)	-	1)CARE BBB-; Stable / CARE A3 (31-Mar-20) 2)CARE BBB-; Stable / CARE A3 (05-Apr-19)	1)CARE A3 (06-Apr-18)
2	Fund-based - LT/ST-EPC/PSC	LT/ST*	10.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable / CARE A3 (05-Apr-21)	-	1)CARE BBB-; Stable / CARE A3 (31-Mar-20) 2)CARE BBB-; Stable / CARE A3 (05-Apr-19)	1)CARE A3 (06-Apr-18)
3	Fund-based - LT/ST-EPC/PSC	LT/ST*	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT	1)CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3	1)CARE A3 (06-Apr-18)

				COOPERATING *	(05-Apr-21)		(31-Mar-20)  2)CARE BBB-; Stable / CARE A3 (05-Apr-19)	
4	Fund-based - LT-Term Loan	LT	5.88	CARE BB+; Stable; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)  2)CARE BBB-; Stable (05-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)
5	Fund-based - LT/ST-EPC/PSC	LT/ST*	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable / CARE A3 (05-Apr-21)	-	1)CARE BBB-; Stable / CARE A3 (31-Mar-20)  2)CARE BBB-; Stable / CARE A3 (05-Apr-19)	1)CARE BBB-; Stable / CARE A3 (06-Apr-18)

\*Issuer did not cooperate; Based on best available information

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

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-EPC/PSC	Simple

**Annexure 5: Bank Lender Details for this Company**

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

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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](mailto:care@careedge.in) for any clarifications.

## Contact us

### Media Contact

Name – Mr. Mradul Mishra  
Contact no. - +91-22-6754 3596  
Email ID - [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Group Head Name – Mr. Amit Jindal  
Group Head Contact no.- +91- 11-4533 3242  
Group Head Email ID- [amit.jindal@careedge.in](mailto:amit.jindal@careedge.in)

### Relationship Contact

Name: Ms. Swati Agrawal  
Contact no.: +91-11-4533 3200  
Email ID: [swati.agrawal@careedge.in](mailto:swati.agrawal@careedge.in)

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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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.

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