

York Exports Limited

April 26, 2021

Rating			
Facilities	Amount (Rs. crore)	Rating¹	Rating Action
Long-term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Total Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reviewed the rating assigned to the bank facilities of York Exports Limited to CARE BB-; Stable; Issuer not cooperating and has simultaneously withdrawn it, with immediate effect. The ratings factors in experienced directors, long track record of operations, moderate profitability margins, favorable location of operations, small scale of operations, deterioration in capital structure and debt coverage indicators, exposure to raw material price volatility, and highly competitive and fragmented nature of industry

The rating withdrawal is at the request of York Exports Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

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 had availed moratorium of 6 months (from March 2020 to August 2020) from bank in light of COVID-19 pandemic for its debt obligations.

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

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

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).

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 on Withdrawal of ratings](#)

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

[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](#)

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. 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	-	-	-	0.00	Withdrawn

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-Cash Credit	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (23-Feb-21)	1)CARE BB; Stable (23-Mar-20)	-

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.

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About CARE Ratings:

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