

Suditi Industries Limited

November 28, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	27.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	1.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	28.00 (₹ Twenty-Eight Core Only)		

Details of instruments/facilities in Annexure-1

Detailed rationale and key rating drivers

CARE had, vide its press release dated September 07, 2021, placed the rating(s) of Suditi Industries Limited (SIL) under the 'issuer non-cooperating' category as Suditi Industries Limited had failed to provide information for monitoring of the rating. SIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated August 13, 2022, July 24, 2022, August 03, 2022. 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.

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

Detailed description of the key rating drivers

At the time of last rating on September 07, 2021, the following were the rating strengths and weaknesses (updated for the information available from Bombay Stock Exchange):

Key Rating Weaknesses

Growth in total operating income however stood moderate

The company registered growth of 94.64% in FY22 over FY21 wherein the total sales stood at Rs. 98.41 crore in FY22 vis-à-vis Rs. 50.56 crore in FY21. Further, in H1FY23, the company has reported total income of Rs. 59.55 crore vis-à-vis Rs. 104.14 crore reported in H1FY22.

Operating and net losses reported

The company reported net loss of Rs. 29.00 crore in FY22 vis-à-vis Rs. 15.18 crore in FY21. Also, the operating loss has increased from Rs. 8.93 crore in FY21 to Rs. 17.30 crore in FY22 owing to huge discounts, rebates offered to liquidate the stock. The loss already incurred on account of disposal of old inventory along with the provision for the value written down on the old inventory of FGs lying as on March 31, 2022 has resulted in huge loss.

Leveraged capital structure and weak debt coverage indicators

Given the erosion in tangible net worth base backed by losses reported by the company in FY22, the overall gearing ratio remained leveraged along with the debt coverage indicators remaining weak in FY22.

Working capital intensive nature of operations

The working capital cycle of SIL reduced to 139 days in FY22 vis-à-vis 364 days in FY21 backed by collection period falling to 134 days in FY22 from 275 days in FY21 along with inventory reducing to 94 days in FY22 from 245 days in FY21. Thereby the creditors period has also reduced from 156 days in FY21 to 89 days in FY22.

Competitive & fragmented nature of operations albeit mitigated by licensing agreements in place

SIL operates in a highly competitive & fragmented industry wherein a large no. of organized and unorganized players in the textile manufacturing segment, operate in the given environment. Moreover, since the majority of the operations of the company comprise fabrics processing, the company faces stiff competition from the other small & medium players belonging to the textile

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

processing segment. On the other hand, there are numerous apparel brands catering to the men & women casual wear segment, thereby intensifying the competition for the company.

Key Rating Strengths

Long track record of vertically integrated operations with diverse business mix

SIL has a long track record of over two and half decades years of operations in processing of fabrics and manufacturing & retailing of RMG & apparels. The licensed brands segment includes manufacturing of licensed clothing line consisting of fashion apparels for men, including T-shirts, sweatshirts, polos, jackets, track pants, boxers, etc. for various international clubs. Moreover, the own brand segment includes casual fashion wear for men and women, including denims, bottoms, jackets, shirts, skirts, dresses, cardigans, tunics, coupled with accessories like belts, bags and flip flops, which are marketed under the brand "Riot". On the other hand, the large retailers' segment includes casual wear, sportswear and active wear for men, women and kids, which are catered to large retailers under their brand names.

Highly experienced promoters and strong group presence

The overall operations of SIL are looked after by Mr. Pawan Agarwal, Chairman & MD, who possesses an extensive experience of over three decades in the textile processing & manufacturing operations, majorly gained by way of this company. Prior to the incorporation of SIL, he with his father and brothers was associated with various companies in the RPK Group, the already established group with more than three decades of operations in the textiles business.

Established market presence with diverse marketing network and renowned brand image

SIL has a wide marketing network for selling its RMG & apparels. The products under "Riot" along with licensed brands are sold through 150 Multi Brand Outlets (MBOs) and Large Format Stores (LFSs) spread across 15 states in India, including Shoppers Stop, Pantaloons, Lifestyle, Walmart, Central, etc., coupled with major online platforms (including owned ones) viz. Myntra, Amazon, Flipkart, Jabong, Snapdeal, Riot and Indianink. On the other hand, the company possesses reputed set of customer base for its fabric processing and large retailers' segment.

Licensing rights in place for FC Barcelona, Manchester City FC, MTV and Yuvraj Singh's brand

SIL has acquired licensing rights from leading football clubs and entertainment company to manufacture & merchandise licensed clothing line consisting of fashion apparels for men, using their brand logo on the said clothing in order to attract the youth fan-base interested in football and entertainment. The said agreements with these clubs are valid for a period of about 3 years, renewable thereafter at the will of the clubs. SIL has licentiate agreement with sports clubs/association like YouWeCan, NBA Properties-USA and PSG-Paris, to manufacture & merchandise a licensed clothing line that will include lifestyle & fashion apparel for men, women and kids

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](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

About the Company

Incorporated in 1991 by Mr. Pawan Agarwal, SIL (erstwhile Suditi Hosiery Processors Limited, changed name to Suditi Industries Limited (SIL) in October 1994) is engaged in processing of fabrics and manufacturing & retailing of RMG & apparels. SIL derives majority of revenues from processing of fabrics comprising local sales as well as on job-work basis. It also manufactures casual wear, sportswear and active wear for men, women and kids, which are catered to large retailers under their brand names. On the other hand, it outsources the manufacturing of casual fashion wear for men and women, which is marketed under its own brand "Riot". Moreover, it also outsources the manufacturing of licensed clothing line consisting of fashion apparels for men, for various international clubs, using their brand logo on the said clothing. Moreover, in March 2015, it incorporated a subsidiary named Suditi Design Studio Limited (SDSL) engaged in manufacturing & retailing of women ethnic & fusion wear under its own brand "Indianink" which is marketed through LFSs, own online portal as well as other online stores. Furthermore, the products under its own brand and licensed brands are available in various outlets all over India, as well as at various online shopping platforms. The processing unit of the company is located at Turbhe in Navi Mumbai, possessing an installed capacity of 4,050 MTPA. On the other hand, its RMG & apparels manufacturing facility located at the same place comprises an installed capacity of

12 lakh pieces per annum comprises of manufacturing of RMG & apparels for large retailers' brands. On the other hand, it procures yarn or grey cloth, dyes and chemicals from local suppliers of the same.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	50.56	98.41	59.55
PBILDT	-8.93	-17.30	0.20
PAT	-15.18	-29.00	-2.71
Overall gearing (times)	1.54	-18.38	5.61
Interest coverage (times)	-1.89	-3.83	0.09

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

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

Covenants of the rated instruments/facilities: 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 (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	-	-	-	-	27.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the 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 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-Cash Credit	LT	27.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (07-Sep-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-Oct-20)	1)CARE BB+; Stable (22-Nov-19) 2)CARE BBB-; Negative (09-Oct-19)
2	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING*	1)CARE A4; ISSUER NOT COOPERATING*	1)CARE A4+ (22-Nov-19)

						(07-Sep-21)	(07-Oct-20)	2)CARE A3 (09-Oct- 19)
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*Long term/Short term

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-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	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 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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