

## Saffron Met Yarns Limited

May 08, 2020

Rating			
Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.75	<b>CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING)</b>	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) Issuer not cooperating; on the basis of best available information
<b>Total Facilities</b>	<b>9.75 (Rupees Nine Crore and Seventy Five lakh only)</b>		

*Details of facilities in Annexure -1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 27, 2019 placed the ratings of Saffron Met Yarns Limited (SMYL) under the 'issuer non-cooperating' category as SMYL had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. SMYL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated April 08, 2020, April 13, 2020 and April 15, 2020. In line with the extant SEBI guidelines, CARE has reviewed the ratings 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 ratings.***

### Detailed description of the key rating drivers

*At the time of last rating done on March 27, 2019 the following were the rating weaknesses (updated for publically available information).*

*The revision in rating takes into account moderate scale of operations with low profit margins, moderate capital structure and debt coverage indicators FY19 (refers to the period April 1 to March 31). The rating further continues to remain constrained on account of labour intensive nature of its operations along with presence in fragmented industry with limited value addition and susceptibility of profit margins to volatility in raw material prices. The ratings, however, derive strength from experienced promotes and location advantage.*

### Key Rating Weaknesses

#### ***Moderate scale of operations along with low profit margins***

TOI of SMYL remained stable during FY19 at Rs.27.70 crore as against Rs.23.68 crore during FY18. Further, during FY19 SMYL booked operating loss of Rs.0.69 crore as against operating profit of Rs.0.26 crore during FY18 due to higher cost of raw material consumed. However, SMYL booked net profit of Rs.0.93 crore during FY19 as against net loss of Rs.0.77 crore during FY18 owing to income from sale of fixed assets during the year.

#### ***Moderate capital structure and debt coverage indicators***

As on March 31, 2019, financial risk profile improved and remained moderate marked by an overall gearing of 0.95 times as against 3.23 times as on March 31, 2018 while debt coverage indicators of SMYL also remained moderate marked by total debt to GCA (TDGCA) of 2.48 years as on March 31, 2019. However, interest coverage ratio remained weak owing to operating losses booked during FY19.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not co-operate; based on best available information

***Labour intensive nature of operations along with presence in fragmented industry with limited value addition and susceptibility of profit margins to volatility in raw material prices***

Zari manufacturing is based on the skill set of artisans which are skilled people who possess the knowledge for preparation of zari. Further, zari manufacturing is fragmented industry with a very low level of automation and limited value addition. The major inputs are gold, silver, copper, good quality water, power, gilding chemicals, dyes and spirit. There are high fluctuations in the prices of the basic raw materials such as gold, silver, and copper prices which are dependent upon global demand-supply scenario.

**Key Rating Strengths**

***Experienced promotes and location advantage***

SMYL is promoted by Mr. Brijendra Kishanlal Chopra (Director) who has an experience of about 30 years in the zari business. He looks after overall management of company. Further, SMYL's presence in textile hub results in benefit derived from lower logistic expenditure, easy availability and procurement of raw materials at effective prices.

**Analytical approach:** Standalone

**Applicable Criteria**

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

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

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

[Rating Methodology - Manufacturing Companies](#)

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

**About the Company**

SMYL was incorporated in September 2009 as Saffron Met Yarns Pvt. Ltd. (SMYL) by Mr. Brijendra Kishanlal Chopra and Mrs. Surinderkaur Chopra. Subsequently, during December 2010, the company got converted into public limited company and resumed its current name. SMYL is engaged in manufacturing of Jari Kasab which finds its application in handicrafts and fashion segment. The major end uses of the zari thread manufactured in Surat include sarees (as a weaving thread for the world famous Banarasi and Kanjeevaram sarees), dress material, and upholstery made ups; for craft- laces and borders, embroidery, rakhi, bangles, badges and gift articles. SMYL operates from its ISO 9001:2008 manufacturing facility located at Surat (Gujarat) with an installed capacity to manufacture 1650 tonnes per annum of zari on March 31, 2017. SMYL sells Jari in the brand names of "Saffron".

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	23.68	27.70
PBILDT	0.26	(0.69)
PAT	(0.77)	0.93
Overall gearing (times)	3.23	0.95
Interest coverage (times)	0.40	NM

A: Audited, NM: Not Meaningful

**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	-	-	-	6.50	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term	-	-	August, 2024	3.25	CARE B; Stable; ISSUER NOT

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Loan					COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not co-operated; 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	6.50	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Mar-19) 2)CARE BB-; Stable (05-Apr-18)	1)CARE BB-; Stable (28-Apr-17)
2.	Fund-based - LT-Term Loan	LT	3.25	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Mar-19) 2)CARE BB-; Stable (05-Apr-18)	-

\*Issuer did not co-operated; Based on best available information

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

#### Contact us

##### Media Contact

Name: Mr. Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

##### Analyst Contact

Name: Ms. Shreedha Shah

Contact no.: 079-40265636

Email ID: [shreedha.shah@careratings.com](mailto:shreedha.shah@careratings.com)

##### Business Development Contact

Name: Mr. Deepak Prajapati

Contact no.: 079-40265656

Email ID: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@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](http://www.careratings.com)**