

Saffron Met Yarns Limited

March 27, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	9.75	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable); Based on best available information
Total	9.75 (Rupees Nine Crore and Seventy Five lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Saffron Met Yarns Limited (SMYL) to monitor the ratings vide e-mail communications/ letters dated November 16, 2018, December 07, 2018, January 07, 2019, February 20, 2019, February 28, 2019, March 12, 2019 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 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. The ratings on Saffron Met Yarns Limited's bank facilities will now be denoted as **CARE B+; 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 ratings.

The revision ratings take into account moderate scale of operations with low profit margins, moderate capital structure, moderate debt coverage indicators and working capital intensive nature of operations. The rating further continues to remain constrained on account of labor 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 the successful completion of debt funded capex in FY17 (refers to the period April 1 to March 31), experienced promotes and location advantage.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2018 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Moderate scale of operations along with low profit margins

The scale of operations as marked by total operating income (TOI) of SMYL decreased and stood moderate at Rs.24.59 crore during FY17 as against Rs.37.22 crore during FY16. During FY17, PBILD margin remained moderate at 6.84% as against 6.04% during FY16. However, PAT margin continued to remain thin at 0.61% in FY17 (0.98% during FY16).

Moderate capital structure and debt coverage indicators

The capital structure as marked by overall gearing ratio improved marginally and continued to remain moderate at 1.73 times as on March 31, 2017 as against 1.85 times as on March 31, 2016. Further, debt coverage indicators marked by total debt to gross cash accruals (TDGCA) continued to stand moderate at 12.91 times as on March 31, 2017 (8.01 times as on March 31, 2016). Interest coverage ratio also stood moderate at 1.74 times during FY17 (2.02 times during FY16).

Working capital intensive nature of operations

The operations remained working capital intensive in nature as indicated by current ratio of 1.26 times as on March 31, 2017 and working capital cycle of 125 days in FY17. The average utilization of working capital bank borrowing limit remained high at 95% for last 12 month period ended February, 2018.

Labor 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

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

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

Successful completion of debt funded capex

SMYL has installed machinery for cutting with a total project cost of Rs.4.33 crore, which will improve quality of its products and is expected to result into the increase in demand from its customers. Machinery is already installed, while the commercial production is expected to commence from April, 2018.

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](#)

[CARE's Rating Methodology for 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)	FY16(A)	FY17 (A)
Total operating income	37.22	24.59
PBILDT	2.25	1.68
PAT	0.36	0.15
Overall gearing (times)	1.85	1.73
Interest coverage (times)	2.02	1.74

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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:

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

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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	August, 2024	3.25	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (09-Mar-16)
2.	Fund-based - LT-Cash Credit	LT	6.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	1)CARE BB-; Stable (05-Apr-18)	1)CARE BB-; Stable (28-Apr-17)	-	1)CARE BB- (09-Mar-16)
3.	Fund-based - LT-Term Loan	LT	3.25	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	1)CARE BB-; Stable (05-Apr-18)	-	-	-

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