



## Press Release

**Samrat Gems Impex Private Limited**

**November 06, 2023**

### Ratings

<b>Instrument / Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long Term Bank Facilities	8.25	IVR BB- / Stable (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	46.00	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>54.25</b> <b>(Rupees Fifty-four crore and twenty-five lakh only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Samrat Gems Impex Private Limited derive strength from experienced promoters and reputed clientele. The rating strengths are, however, constrained by modest scale of operations with thin profitability, leveraged capital structure, average debt protection metrics, working capital intensive operations and intense competition in textile industry.

### Key Rating Sensitivities:

#### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics

#### Downward Factors

- Dip in operating income and/or profitability impacting the cash flows and liquidity position of the company
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position



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### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

##### Experienced Promoters

The promoters' have three decades of experience in manufacturing ready-made apparels for men, women, and kids. SGIPL will continue to benefit from its promoters' experience and their understanding of the garment manufacturing industry.

##### Reputed clientele

SGIPL caters to both domestic and export markets. Domestic market share has increased in FY23 vis a vis FY22 to 45.17% due to an increase in demand. Exports accounted for 54.83% in FY23. In exports it primarily caters to countries like USA, Europe, South America, etc. The company has strong relationships with a reputed clientele across geographies. The company's customer profile consists of International clients include Falabella, Hipermercados, La Jolla, Inditex etc and Domestic clients like Sharda Corporation, etc. They receive regular orders from such clients thereby reflecting stability in revenue generation.

#### B. Key Rating Weaknesses

##### Modest scale of operations with thin profitability

The company's total operating income remains at around Rs. 138.86 crore in FY23 and Rs. 131.32 crore in FY22. The company has achieved sales of Rs. 31.79 crore for Q1FY24. EBITDA and PAT stood at Rs. 5.74 crore and Rs. 1.07 crore in FY23(Prov.) respectively as compared to Rs. 4.97 crore and Rs. 0.79 crore in FY22. EBITDA margin of the company improved marginally to 4.13% in FY23(Prov.) as compared to 3.79% in FY22. However PAT margin continues to be low at 0.76% in FY23(Prov.) and 0.60% in FY22. The Gross cash accruals of the company was modest and stood at Rs. 1.70 crore in FY23(Prov.) as compared to Rs. 1.38 crore in FY22.

##### Leveraged capital structure and average debt protection metrics

SGIPL's financial risk profile is marked by a modest networth of Rs. 17.42 crore as on March 31, 2023. Total debt has increased from Rs. 53.60 crore in FY22 to Rs. 66.17 crore in FY23 and primarily comprises of Rs. 51.12 crores working capital borrowings, Rs. 14.19 crore GECL loans, and Rs. 0.86 crore unsecured loan from promoter/director. Capital structure continues



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to be leveraged with overall gearing at 3.80 times as on March 31, 2023, and 3.38 times as on March 31, 2022. TOL/TNW however improved to 4.84x times as on March 31, 2023, as against 6.19x as on March 31, 2022. Debt protection metrics have subdued with interest coverage moderating to 1.09 times in FY23 (Prov.) as against 1.38 times in FY22. Total debt to GCA continues to be high at 38.87 times in FY23 (Prov.) and 38.92 times in FY22. Financial risk profile is expected to remain subdued over the medium term on account of high dependence on debt.

### **Working capital intensive operation**

SGIPL's operations are working capital intensive. The company has large working capital requirements which are reflected in an elongated conversion cycle of 145 days in FY23 (FY22: 135 days). The inventory days are high at 148 days in FY23 (PY: 152 days). The collection period has decreased in FY23 to 75 days (FY22: 94 days). Further, the average fund based working capital utilization remained high at ~95% for last 12 months ended June 2023. It is expected to remain at similar levels.

### **Intense competition in textile industry**

The company is exposed to intense competition prevalent in the highly fragmented Indian textile and garment export industry and faces stiff competition from both organised and unorganised players.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

[Policy on default recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity: Stretched**

The liquidity position of the company is stretched. The company had gross cash accruals of Rs. 1.70 crores tightly matching with debt repayment of Rs. 1.70 crores in FY23. The company is expected to generate projected gross cash accruals in the range of Rs. 6.00 crores to Rs. 17.00 crores during FY24-26 as against debt repayment obligations of Rs. 5.93 crore in FY24,



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Rs. 5.02 crore in FY25 and Rs. 2.10 crore in FY26. Average working capital utilization for 12 months ended June 2023 stood high at around 95.22% on account of working capital nature of operations providing limited headroom. The current ratio is around 1.28 times as on March 31, 2023. The company reported cash and cash equivalents at Rs. 3.66 crores as of March 31, 2023.

### About the company

Samrat Gems Impex Pvt. Ltd. (SGIPL) was incorporated on December 17, 1984, and is engaged into manufacturing and export of apparels. SGIPL is a family-owned business started by Shyamlal Sharma and currently run by his son, Mr. Rajiv Sharma. Mr. Krish Sharma, son of Mr. Rajiv Sharma, has also joined the business recently.

They offer a wide range of apparel for men, women, and children. The company is selling its products under the brand name "Maskerade".

### Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	131.32	138.86
EBITDA	4.97	5.74
PAT	0.79	1.07
Total Debt	53.60	66.17
Tangible Net worth	15.85	17.42
<b>Ratios</b>		
EBITDA Margin (%)	3.79	4.13
PAT Margin (%)	0.60	0.76
Overall Gearing Ratio (x)	3.38	3.80

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** Nil



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### Rating History for last three years:

Sr . N o.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstand ing (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	5.30	IVR BB- / Stable	-	-	-
2.	Cash Credit	Long Term	2.95	IVR BB- / Stable	-	-	-
3.	PCFC	Short Term	35.00	IVR A4	-	-	-
4.	Inland Letter of Credit	Short Term	11.00	IVR A4	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Neha Khan

Tel: (022) 62396023

Email: [neha.khan@infomerics.com](mailto:neha.khan@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	October 2024	2.33	IVR BB- / Stable
Term Loan			October 2026	2.97	IVR BB- / Stable
Cash Credit	-	-	-	2.95	IVR BB- / Stable
PCFC				35.00	IVR A4
Inland Letter of Credit				11.00	IVR A4

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-SamratGems-nov23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).