



## Press Release

### Shubham K-Mart Private Limited

January 25, 2023

#### Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	37.00	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	Reaffirmed	Simple
<b>Total</b>	<b>37.00</b> <b>(Thirty seven crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Shubham K-Mart Private Limited (SKMPL) considers the common management team and operational & financial linkages between SKMPL and its group concerns, Sumeet Synfab India Private Limited (SSIPL) and Sumeet Gems and Jewellers Private Limited (SGJPL). Infomerics has taken a consolidated view of these entities referred together as Sumeet Group. The rating derive comfort from established track record of the group under experienced promoters and infusion of unsecured loans by the promoters to support the business operations. The rating also factors in diversified product offerings, steady improvement in financial performance of the group, and comfortable financial risk profile with satisfactory debt protection metrics. However, these rating strengths are partially constrained due to the group's high working capital intensity of operations, presence in highly fragmented and competitive industry and exposure to geographical concentration risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained and significant improvement in revenue and profitability leading to higher cash accruals.
- Improvement in the capital structure with improvement in TOL/TNW to below 1.5x and sustained improvement in debt protection metrics.
- Sustained improvement in liquidity position and operating cycle.



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### Downward Factors

- Any decline in revenue & profitability leading to deterioration in debt protection metrics with interest coverage moderated to below 2x.
- Deterioration in the capital structure with overall gearing ratio deteriorated to over 2x.
- Significant tightening of liquidity position with operating cycle exceeding 120 days.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters with established track record of operations**

Sumeet group, established by Late Shri Bhanwar Lal Ji Kankaria in 1984, is now managed by the second and third generations of the Kankaria family. The promoters have more than three decades of experience and have developed deep understanding of the dynamics of the market, while the second line of management has experience of more than two decades and has been associated with group for a long period.

- **Diversified product offerings**

Sumeet group is among the largest traders of textiles in Chhattisgarh. Through its company, Sumeet Synfab India Private Limited (SSIPL), it offers apparels including men's wear, women's wear, kids wear, cotton outfits, traditional wear, handlooms, bridal wear, etc. Thereafter, it diversified its operations through Sumeet Gems and Jewellers Private Limited (SGJPL) in 2005, engaged in manufacturing and retailing of jewellery as well as trading of retail gold, silver, diamond, and other precious metals. SGJPL is also engaged in trading of bullion. Further in 2019, the group started Super Market in partnership firm, M/s Shubham K-Mart, which was later transferred to Shubham K-Mart Private Limited (SKMPL) with effect from March 2020. SKMPL have started its new line of business since then, offering products like grocery items, dairy, crockery, Toys, Plastics etc. The group mostly runs its business through its showrooms where products from all segments are available. Sumeet Group is one of the reputed and oldest business houses of Raipur, Chhattisgarh, with its presence both in the wholesale and retail segment. The group has even diversified its presence in Orissa and Madhya Pradesh.



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- **Steady improvement in financial performance of the group**

The combined revenue of the Group increased at a CAGR of 6% between FY20 and FY22. There was a drop in revenue from Rs 1270 crore in FY21 to Rs 1026 crore in FY22, primarily because of very low bullion trading in Sumeet Gems and Jewellers in FY22 compared to FY21. EBITDA for the Group increased at a higher CAGR of 13% between FY20 and FY22 primarily because of operating leverage and higher contribution from high margin jewellery business compared to bullion business. EBITDA margin of the Group improved consequently from 4.66% in FY20 to 5.60% in FY22. EBITDA of the Group for FY20,21, and 22 were Rs 39.92 crore, Rs 47.74 crore, and Rs 57.49 crore respectively. While there was a dip in PAT of the Group from Rs 16.02 crore in FY20 to Rs 15.54 crore in FY21, it improved to Rs 17.72 crore in FY22. PAT margins of the Group in FY20, FY21, and FY22 were 1.86%, 1.22%, and 1.72% respectively.

- **Comfortable financial risk profile with satisfactory debt protection metrics**

The debt profile of the group includes term loans from banks, and working capital borrowings. The promoters have supported the business by infusing subordinated unsecured loans, which have been treated as quasi equity, at regular intervals. Quasi Equity of the group as on March 31,2022 stood at Rs.83.65 crore. The adjusted tangible net worth (ATNW) of the Group including quasi equity from the promoters stood at Rs.207.59 crore as at March 31, 2022 compared to Rs 136.21 crore as at March 31, 2021. The overall gearing ratio on adjusted tangible net worth stood at 1.40x as on March 31,2022 (as compared to 1.71x as on March 31,2021). Further, the total indebtedness of the Group also remained moderate marked by TOL/ATNW at 2.15x as on March 31,2022 (as compared to 2.91x as on March 31,2021). The group had a comfortable gross cash accrual of Rs.26.40 crore as against its committed repayment obligation of Rs. 10.60 crore in FY22. Additionally, the debt protection metrics remained satisfactory, as reflected by the interest coverage ratio of 2.21x in FY22 as against 2.34x in FY21. DSCR was 1.46x in FY22 as compared to 1.69x in FY21.

### Key Rating Weaknesses

- **High working capital intensity of operations**



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The operations of the group has turned out to be highly working capital intensive in FY22 when the working capital intensity was 33% compared to 19% in FY21. This was primarily because of increase in inventory days from 81 days in FY21 to 135 days in FY22, which resulted in high utilisation of fund based working capital limits to the tune of 87% for the 12 months ended October 2022.

- **Highly fragmented and competitive industry**

The retail industry is highly competitive and fragmented in nature with several large players and numerous small players. Healthy growth prospects, high profitability, and ease in procurement have attracted several players into the retail market. Intense competition may continue to constrain scalability, pricing power and profitability of the company.

- **Geographical concentration risk**

Sumeet group mostly derives its revenue from Chhattisgarh, with Sumeet Synfab's presence in over 30 different locations in Chhattisgarh, while Sumeet Gems and Jewellery's have around 5 stores in Chhattisgarh, 1 in Orissa and 1 in Mumbai. Further, Shubham K-Mart has a total of around 19 stores in Chhattisgarh at present. The complete reliance from Chhattisgarh market exposes the group to even a slight regional downturn in the economy.

**Analytical Approach:** Consolidated

For arriving at the rating, Infomerics has combined the financial risk profiles of Shubham K Mart Private Limited (SKMPL), Sumeet Synfab India Private Limited (SSIPL), and Sumeet Gems and Jewellers Private Limited (SGJPL) as these entities run under a common management have strong operational and financial linkages and cash flow fungibility. All the three companies combined has been referred to as Sumeet Group.

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity – Adequate**



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The group has a comfortable current ratio of 1.46x in FY22 and this ratio is remaining between 1.50x and 1.57x in FY23-25. The GCAs of each of the years between FY23 and FY25 comfortably cover the debt repayments due in the respective years. The Operating Cycle of the group was moderate at 101 days in FY22, and we have been conservative to assume it between 88 and 98 days during FY23-25. Reliance on fund based working capital limits has been slightly high at around 87% for the 12 months ended October 2022.

### **About the Company and the Group**

Sumeet group, established by Late Shri Bhanwar Lal Ji Kankaria in 1984, is now managed by second and third generations of the Kankaria family. Sumeet Group is one of the reputed and oldest business houses of Raipur, Chhattisgarh, with its presence both in the wholesale and retail segment through its various shops across the state. Sumeet Group started its journey in the name & style of 'Sumeet Fabrics', 'Sumeet & Co.' & 'Sumeet Baijnathpara'. In the year 2000, by consolidating the businesses, the promoters incorporated a private limited company, Sumeet Synfab India Private Limited (SSIPL). It is among the largest traders of textiles in Chhattisgarh, offering apparels including men's wear, women's wear, kids wear, Cotton Outfits, Traditional wear, Handlooms, Bridal wear, etc. Thereafter, it diversified its operations through Sumeet Gems and Jewellers Private Limited (SGJPL) in 2005, engaged in manufacturing of jewellery as well as trading of retail gold, silver, diamond, and other precious metals. SGJPL is also engaged in trading of bullion jewellery. Further in 2019, the group started Super Market in partnership firm, M/s Shubham K-Mart, which was later transferred to Shubham K-Mart Private Limited (SKMPL) with effect from March 2020. SKMPL have started its new line of business since then, offering products like grocery items, dairy, crockery, Toys, Plastics etc.

### **Financials (Consolidated):**

For the year ended* / As on	INR in Crores	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1270.09	1026.45
EBITDA	47.74	57.49





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PAT	15.54	17.72
Total Debt	233.54	290.17
Tangible Net worth	103.92	123.94
Tangible Net worth (Adjusted)	136.21	207.59
EBIDTA Margin (%)	3.76	5.60
PAT Margin (%)	1.22	1.72
Overall Gearing ratio (X) (Adjusted)	1.71	1.40

*\*Classification as per infomerics' standards*

### Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	72.92	152.07
EBITDA	4.16	6.42
PAT	0.39	1.04
Total Debt	27.33	56.25
Tangible Net worth	10.34	13.52
Tangible Net worth (Adjusted)	10.99	41.77
EBIDTA Margin (%)	5.70	4.22
PAT Margin (%)	0.53	0.69
Overall Gearing ratio (X) (Adjusted)	2.49	1.35

*\*Classification as per infomerics' standards*

**Status of non-cooperation with previous CRA: NA**

**Any other information: N.A.**

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Oct 28, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	7.29	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
2.	Cash Credit	Long Term	28.00	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
3.	Proposed Cash Credit	Long Term	1.71	IVR BBB+/ Stable	-	-	-

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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not



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recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan 1	-	-	September 2026	5.48	IVR BBB+/ Stable
Term Loan 2	-	-	December 2025	1.81	IVR BBB+/ Stable
Cash Credit 1	-	-	-	13.00	IVR BBB+/ Stable
Cash Credit 2	-	-	-	15.00	IVR BBB+/ Stable
Proposed Cash Credit ss	-	-	-	1.71	IVR BBB+/ Stable

### Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation approach
Sumeet Synfab India Private Limited	Full consolidation
Sumeet Gems and Jewellers Private Limited	Full consolidation
Shubham K-Mart Private Limited	Full consolidation

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Shubham-KMart-jan23.pdf>

### Annexure 4: Detailed explanation of covenants of the rated 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).