



Press Release

Shubham K-Mart Private Limited

September 06, 2023

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	122.00 (Enhanced from 37.00)	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	Reaffirmed	Simple
Total	122.00 (One hundred and twenty two crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of 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.

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.

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



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The Group witnessed a YoY revenue increase of ~5% between FY22 and FY23. Revenue growth was however not steady in each of the three constituent companies. Sumeet Synfab's revenue increased by ~13% YoY in FY23 compared to FY22. This was because of higher sales volume. Sumeet Gems and Jewellers' revenue dipped by ~28% in FY23 compared to FY22. This was because of low demand of gold jewellery in FY23 compared to FY22. Shubham K Mart's revenue grew enormously in FY23 compared to FY22 – the rate of increase was ~61% YoY. This was because of ramping up of business and addition of new stores during this period.

Being in trading segment the profit margins of the Group have remained range bound in the past. However, EBITDA margin of the Group increased by 144bps YoY from 5.60% in FY22 to 7.04% in FY23. This was largely contributed by Shubham Kmart whose EBITDA margin increased from 4.22% in FY22 to 6.07% in FY23 because of operating leverage and Sumeet Gems & Jewellers whose EBITDA margin increased from 4.19% in FY22 to 7.00% in FY23 because of high realisation of gold jewellery due to increased prices of gold. PAT margin increased from 1.72% in FY22 to 2.29% in FY23 primarily because of increase in EBITDA margin in FY23 compared to FY22.

- **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, 2023 stood at Rs.103.04 crore. The tangible net worth of the Group including quasi equity stood at Rs.256.85 crore as at March 31, 2023 compared to Rs 207.59 crore as at March 31, 2022. The overall gearing ratio on tangible net worth including quasi equity stood at 1.49x as on March 31, 2023 (as compared to 1.40x as on March 31, 2022). Further, the total indebtedness of the Group also remained moderate marked by TOL/TNW including quasi equity at 1.93x as on March 31, 2023 (as compared to 2.15x as on March 31, 2022). The Group had a comfortable gross cash accrual of Rs.32.22 crore as against its committed repayment obligation of Rs. 16.59 crore in FY23. Additionally, the debt protection metrics remained satisfactory, as reflected by the interest coverage ratio of 2.08x in FY23 as against 2.39x in FY22. DSCR was 1.06x in FY23 as compared to 1.46x in FY22.

Key Rating Weaknesses



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- **High working capital intensity of operations**

The operations of the Group are highly working capital intensive. In FY23 the working capital intensity was 41% compared to 33% in FY22. That was primarily because of increase in inventory days from 135 days in FY22 to 157 days in FY23, and reduction in creditor days from 54 days in FY22 to 43 days in FY23, which resulted in high utilisation of fund based working capital limits to the tune of 82% for the 12 months ended June 2023.

- **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 24 stores in Chhattisgarh at present. The major reliance on 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](#)



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[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)
[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The Group had a comfortable current ratio of 1.55x as on March 31, 2023. The GCAs of each of the years between FY24 and FY26 are expected to comfortably cover the debt repayments due in the respective years. The operating cycle of the group was moderate at 135 days in FY23, and it is expected to remain between 123 and 129 days between FY24 and FY26. Reliance on fund based working capital limits has been moderate at around 82% for the 12 months ended June 2023.

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 (Combined):



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INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	1026.45	1074.33
EBITDA	57.49	75.63
PAT	17.72	24.62
Total Debt	290.17	381.93
Tangible Net worth	123.94	153.82
Tangible Net worth (including quasi equity)	207.59	256.85
EBIDTA Margin (%)	5.60	7.04
PAT Margin (%)	1.72	2.29
Overall Gearing ratio (X) (including quasi equity)	1.40	1.49

**Classification as per infomerics' standards*

Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	152.07	244.62
EBITDA	6.42	14.86
PAT	1.04	5.78
Total Debt	56.25	90.64
Tangible Net worth	13.52	24.55
Tangible Net worth (including quasi equity)	41.77	51.92
EBIDTA Margin (%)	4.22	6.07
PAT Margin (%)	0.69	2.36
Overall Gearing ratio (X) (including quasi equity)	1.35	1.75

**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA: NA

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 25, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Oct 28, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	56.59	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	-
2.	Cash Credit Limits	Long Term	63.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	-
3.	Proposed Cash Credit	Long Term	2.41	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Shantanu Basu Tel: (033) 48033621 Email: Shantanu.basu@infomerics.com	Name: Mr. Sandeep Khaitan Tel: (033) 48033621 Email: Sandeep.khaitan@infomerics.com
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About Infomerics Ratings:

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.

For more information visit www.infomerics.com.

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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	4.90	IVR BBB+/ Stable
Term Loan 2	-	-	December 2025	1.69	IVR BBB+/ Stable
Term Loan 3	-	-	January 2031	15.00	IVR BBB+/ Stable
Term Loan 4	-	-	September 2030	35.00	IVR BBB+/ Stable
Cash Credit 1	-	-	-	23.00	IVR BBB+/ Stable
Cash Credit 2	-	-	-	25.00	IVR BBB+/ Stable
Cash Credit 3	-	-	-	15.00	IVR BBB+/ Stable
Proposed Cash Credit	-	-	-	2.41	IVR BBB+/ Stable

Annexure 2: List of companies considered for consolidated analysis:



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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-skmpl-sep23.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.