Spider Fashions Private Limited

November 27, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	1.25 (reduced from 2.69)	IVR BB/ Stable (IVR double B with Stable outlook)	IVR BB/ Stable (IVR double B with Stable outlook)	Reaffirmed	**Simple**
Short Term Bank Facilities	14.95 (enhanced from 13.51)	IVR A4 (IVR A four)	IVR A4 (IVR A four)	Reaffirmed	**Simple**
Total	**16.20 (Sixteen crore and twenty lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Spider Fashions Private Limited (SFPL) consider the common management team and operational & financial linkages between SFPL and its group companies, CIBI International Private Limited (CIPL) and Gugan Knitwears Private Limited (GKPL) and Lakshmivel Mills Private Limited (LMPL). Infomerics has taken a combined view of these entities referred together as CIBI group.

The reaffirmation of the ratings assigned to the bank facilities of SFPL is on the basis of experienced promoters, integrated nature of operations and comfortable capital structure. However, these rating strengths are constrained on account of relatively small scale of current operations, concentrated customer profile, profitability susceptible to fluctuation in key raw material prices and exposure to intense competition.

The long-term rating outlook is Stable on the basis of an expected increase in topline in next few years which is likely to improve the profits and cash accruals of the company.

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 thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile
- Stretch in working capital cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The CIBI Group was promoted in 1991 by Mr. G. Sakthivel and his wife Mrs.S Punithavathi. The promoters have more than three decades of experience in the field of textiles and are actively involved in the day-to-day operations of the group.

- **Integrated nature of operations**

The CIBI Group has strong forward integrations which spans the entire value chain of textile business viz spinning, knitting, garmenting and finally export through different operating companies in the group - CIPL, LMPL, GKPL and SFP. CIPL is engaged in manufacturing of readymade garments. CIPL procures yarn and knitted fabrics from LMPL and GKPL. LMPL primarily engaged in spinning of hosiery yarn and it also sells fabric by outsourcing the knitting process. LMPL supplies the manufactured yarn mainly to SFPL and GKPL. GKPL is primarily engaged in job work for knitting process after procurement of yarn from LMPL.SFPL is engaged in manufacturing and exporting of hosiery fabrics and hosiery readymade garments.

- **Comfortable capital structure**

Total debt increased to Rs. 89.17 crore as on March 31, 2024, from Rs. 69.59 crore as on March 31, 2023, due to increase in bank borrowings. Adjusted networth was Rs. 161.90 crore (adjusted for investment in group companies of Rs. 17.19 crore) as on March 31, 2024, up from Rs. 164.75 crore (adjusted for investment in group companies of Rs. 3.75 crore) as on March 31, 2023. The overall gearing of the company remained comfortable at 0.55x as on March 31, 2024 (0.42 x as on March 31, 2023). Total indebtedness remained moderate as reflected by TOL/TNW of 1.21x as on March 31, 2024 (1.01x as on March 31, 2023).

Key Rating Weaknesses

- **Relatively small scale of current operations**

The current scale of operations at SFPL remains relatively smaller with TOI of Rs. 14.03 crore in FY24 (refers to period from April 1, 2023, to March 31, 2024) which declined by 22% y-o-y on the back of decline in demand from USA, the major export destination for the company. Led by a decline in topline, EBITDA and PAT also declined by 26% and 77% y-o-y to Rs.1.35 crore and Rs. 0.13 crore in FY24. A sustained increase in the scale of operations will be a key rating factor going ahead.

- **Concentrated customer profile**

The CIBI group is exposed to the customer concentration risk as the major customer, Eastman Exports Global Clothing Private Limited contributes two-third of the group's total revenue for whom the group does job work by conversion of fabrics into garments. The group doesn't have any short term/long term contract with the customer and hence, any change in procurement policy or any deterioration in the financial profile of the customer may adversely impact the business of the group. However, in FY24 the extent of sales to Eastman Exports have declined and the company is further trying to reduce its dependence on the company.

- **Profitability susceptible to fluctuation in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years and thus its profitability remains susceptible to any adverse movement in cotton and yarn prices. However, the risk is mitigated to an extent on account of order-backed raw material procurement policy.

- **Exposed to intense competition**

The textile industry is highly fragmented and competitive at every level- spinning, weaving, production of readymade garments, with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the company's pricing flexibility and bargaining power.

Analytical Approach: Combined

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Lakshmivel Mills Pvt. Ltd. Gugan Knitwear Pvt. Ltd., CIBI International Pvt. Ltd. and Spider Fashions Private Limited. This is because these companies, collectively referred to as the CIBI Group, are under control of same promoters, have business and financial linkages.

List of companies considered for consolidation/combined analysis is given at Annexure 4.

Applicable Criteria:

Consolidation of companies
Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the group is expected to remain adequate with its gross cash accruals meeting the repayment obligations. The average cash credit utilisation of the group remained moderate at ~47% during the past 12 months ended August, 2024. Absence of any major debt funded capex provides further comfort to the liquidity position.

About the Company

Incorporated in September 2020, Spider Fashions Private Limited is engaged in manufacturing of hosiery garments. The promoters of the company are Mr. G Sakthivel and Mrs. S Punithavathi. The company has installed 732 sewing machines which has installed capacity to manufacture 2196000 units of garments. The company's sales include exports as well as domestic sales. The company purchases yarn from LMPL, gets knitting done from Gugan Knitwears Pvt. Ltd and gets job work done at CIBI International.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	18.02	14.03
EBITDA	1.83	1.35
PAT	0.56	0.13
Total Debt	5.00	3.05
Adjusted Tangible Net Worth	5.31	5.44
EBITDA Margin (%)	10.15	9.62
PAT Margin (%)	3.10	0.94
Adjusted Overall Gearing Ratio (x)	0.94	0.56
Interest Coverage (x)	3.32	3.66

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Type (Long Term/ Short Term)	Current Ratings (Year 2024-25) Amount outstanding (Rs. Crore)	Rating	Rating History for the past 3 years: Date(s) & Rating(s) assigned in (Year 2023-24)	Date(s) & Rating(s) assigned in (Year 2022-23)	Date(s) & Rating(s) assigned in in (Year 2021-22)
					Sep 28, 2023		
1.	Hypothecation of Property and Movable Assets (HPMA)	Long Term	1.25	IVR BB/ Stable	IVR BB/ Stable	-	-
2.	EPC/ PCFC	Short Term	13.07*	IVR A4	IVR A4	-	-
3.	CEL	Short Term	1.88	IVR A4	IVR A4	-	-

**Includes proposed facility of Rs. 3.07 crore*

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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).

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Hypothecation of Property and Movable Assets (HPMA)	-	-	-	April 2026	1.25	IVR BB/ Stable
EPC/ PCFC	-	-	-	-	10.00	IVR A4
Proposed EPC/ PCFC	-	-	-	-	3.07	IVR A4
CEL	-	-	-	-	1.88	IVR A4

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-SFPL-nov24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the company	Consolidation Approach
CIBI International Private Limited	Full consolidation
Lakshmivel Mills Private Limited	Full consolidation
Gugan Knitwears Private Limited	Full consolidation
Spider Fashions Private Limited	Full consolidation

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.