



Press Release

Spider Fashions Private Limited

September 28, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	2.69	IVR BB/ Stable (IVR double B with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	13.51 (includes proposed facility of Rs. 1.63 crore)	IVR A4 (IVR A four)	Assigned	Simple
Total	16.20 (INR sixteen crore and twenty lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

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

The ratings assigned to the bank facilities of Spider Fashions Private Limited (SFPL) derives strength from experienced promoter group in textile industry, integrated nature of operations, improvement in topline and profitability in FY22 and FY23 (provisional) and a comfortable capital structure. However, these rating strengths are constrained by relatively small scale of current operations of SFPL, concentrated customer profile, susceptibility of profitability to fluctuation in key raw material prices and exposure to intense competition.

Key Rating Sensitivities:

Upward factors



Press Release

- 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 Ms. 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.

- **Improvement in topline and profit in FY22 and FY23 (provisional)**

In FY2023 (provisional) the group witnessed a growth in topline, which has consequently led to an increase in profits and GCA. The group's total operating income (TOI) increased to Rs. 568.11 crore in 2023 (provisional) from Rs. 541.06 crore in FY2022 depicting an increase of ~5% on a y-o-y basis. Consequently, the EBDITA and PAT also increased to Rs. 29.67 crore. and Rs. 9.72 crore respectively in FY2023 (provisional) from Rs. 26.42 crore and Rs. 8.80



Press Release

crore, respectively in FY2022. A sustained increase in the scale of operations along with maintenance of healthy profitability margins will be a key rating factor going forward.

- **Comfortable capital structure**

The company's capital structure remains conservative marked by overall gearing ratio of 0.39x as on March 31, 2023 (provisional) which improved from 0.64x as on March 31, 2022 owing to decline in total debt. Long term debt equity was low at 0.23x as on March 31, 2023 (provisional) (0.29x as on March 31, 2022). Total indebtedness reflected by TOL/TNW was at 0.90x as on March 31, 2023 (provisional) (1.29x as on March 31, 2022). The debt protection parameters of the group remained comfortable with interest coverage at 3.58x FY23 (provisional) (PY: 2.65x) and DSCR of 1.66x in FY23 (provisional) (PY: 1.46). Infomerics expects that the financial risk profile of the company will continue to remain comfortable in the near term.

Key Rating Weaknesses

- **Relatively small scale of current operations of SFPL**

The current scale of operations at SFPL remains relatively smaller with TOI of Rs. 18.02 crore in FY23(provisional) which declined by 24% y-o-y on the back of decline in demand from USA, the major export destination for the company. 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 FY23 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.



Press Release

- **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: Consolidated

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of CIBI International Private Limited, Lakshmivel Mills Private Limited, Gudan Knitwears Private Limited 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. The list of Companies is given in Annexure 2.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook](#)

[Consolidation of companies](#)

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 company remained moderate at ~49% during the past 12 months ended June, 2023. Absence of any major debt funded capex provides further comfort to the liquidity position.

About the Group

Founded in 1991, the operations of CIBI Group are based out of Perundurai (around 50 km from Coimbatore, Tamil Nadu) and it is one of the medium-sized groups in the textile industry in South India. The operations of the CIBI group span the entire value chain of the textile business viz. spinning, knitting, and garmenting through different operating companies in the group. The major operating companies of the group are Cibi International Private Limited (CIPL), Lakshmivel Mills Private Limited (LMPL), Gudan Knitwear Private Limited (GKPL) and



Press Release

Spider Fashions Private Limited. The group also has 12 windmills and 3 solar power plants which meets substantial power requirements of the group.

The group's promoters Mr. G. Sakthivel and his wife Ms. Punithavathi 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.

About the company

Incorporated in September 2020, the company is engaged in manufacturing of hosiery garments. The promoter of the company are G Sakthivel and S Punithavathi. The company has installed 732 sewing machines which has installed capacity to manufacture 2196000 units of garments. The company's sales includes exports as well as domestic sales. In FY23, ~71% of the total sales were exports and ~29% were domestic. The company purchases yarn from LMPL, gets knitting done from Gungan Knitwears Pvt. Ltd and gets job work done at CIBI International.

Financials (Consolidated):

(Rs. Crore)

For the year ended* / As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	541.06	568.11
EBITDA	26.42	29.67
PAT	8.80	9.72
Total Debt	102.49	68.79
Tangible Net-worth	160.69	177.03
EBITDA Margin (%)	4.88	5.22
PAT Margin (%)	1.62	1.70
Overall Gearing Ratio (x)	0.64	0.39

**Classification as per Infomerics' standards*

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	23.02	18.02



Press Release

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
EBITDA	1.10	1.80
PAT	0.39	0.42
Total Debt	9.39	4.19
Tangible Net worth	1.58	5.97
EBITDA Margin (%)	4.80	10.00
PAT Margin (%)	1.64	2.33
Overall Gearing Ratio (x)	5.94	0.70

*As per Infomerics' Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (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.	HPMA	Long Term	2.69	IVR BB/ Stable	-	-	-
2.	EPC/PCFC*	Short Term	11.63	IVR A4	-	-	-
3.	CEL	Short Term	1.88	IVR A4	-	-	-

*Includes proposed facility of Rs. 1.63 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).



Press Release

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.

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. Crore)	Rating Assigned/ Outlook
HPMA	-	-	April 2026	2.69	IVR BB/ Stable
EPC/PCFC*	-	-	-	11.63	IVR BB/ Stable
CEL	-	-	-	1.88	IVR A4

*includes proposed facility of Rs. 1.63 crore

Annexure 2: List of companies considered for consolidated 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



Press Release

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SFPL-sep23.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

