



Press Release

Shyam Indofab Private Limited

December 09, 2021

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	159.01	IVR BB; Stable (IVR Double B with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	22.24	IVR A4 (IVR A Four)	Assigned
	Total	181.25		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shyam Indofab Private Limited (SIPL) derives comfort from its moderate track record of operation under experienced promoters and implementation of onetime restructuring (OTR) scheme in the purview of Comprehensive Resolution Framework for Covid-19 related stress as per RBI guidelines. These rating strengths are partially offset by its weak financial performance albeit improvement in H1FY22, presence in a highly competitive industry, susceptibility of profitability to fluctuation in raw material prices, leveraged capital structure and working capital intensive nature of operation.

Rating Sensitivities

Upward factors

- More than expected growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals and debt protection metrics on a sustained basis
- Improvement in capital structure with overall gearing of less than 2.5x with improvement in debt protection metrics with interest coverage of more than 2x
- Improvement in working capital cycle leading to improvement in liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis
- Further deterioration in capital structure with overall gearing moderated to below 5x
- Deterioration in working capital management impacting the liquidity



Press Release

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Moderate track record of operation under experienced promoters**

Mr. Sandeep Gupta, director, has more than a decade of experience in the textile industry. This apart, other two directors are also having over a decade of experience in similar line of business. The operation of the company has started from 2016, thus enjoying a moderate track record of operation.

- **Implementation of restructuring scheme**

The company has applied for OTR in the purview of Comprehensive Resolution Framework for Covid-19 related stress. The OTR was approved by the bankers during June 2021 with a cut-off date from March 01, 2021. Since restructuring, all the accounts are running regular with no delays or defaults during last three months till October 2021. As per the scheme extension of Term Loan tenor by two years is being considered in line with RBI framework for OTR with initial moratorium for 15 months till May 2022.

Key Rating Weaknesses

- **Weak financial performance albeit improvement in H1FY22**

The TOI of the company though remained stable in FY19 and in FY20 it fell in FY21 to Rs.105 crore mainly due to impact of COVID-19 pandemic induced lockdown and its repercussions on the business. Further, with impacted operations the company incurred net loss of ~Rs.21.45 crore in FY21 with a cash loss of ~Rs.14.55 crore. However, post implementation of OTR, during H1FY22, the company witnessed improvements in its operating performance. Infomerics expects that the performance of the company will improve gradually backed by improvement in demand and rise in average sale realisation.

- **Presence in a highly competitive industry**

The textile industry in India is highly fragmented with presence of many established players in the market. The company has to compete with established brands in the market. Further, there are several unorganised players in the industry. As a result, it has to work with high pressure on margins due to the highly competitive nature of the industry.



Press Release

- **Susceptibility of profitability to fluctuation in raw material prices**

The key raw material required for manufacturing of fabric is yarn and to manufacture yarn, raw material used is POY (polyester oriented yarn). This apart cotton is also a natural product which production is also volatile in nature. The prices of POY are subject to the volatility in the crude oil prices and accordingly the profit is exposed to volatility in raw material prices. The cost of raw materials comprises of a major portion of cost of goods sold and thus price volatility would expose the company to a higher risk. However, the company is able to pass on the volatility in raw material prices to its customers with a time lag of around two months.

- **Leveraged capital structure**

The capital structure of the company remained leveraged marked by overall gearing ratio at 4.66x as on March 31, 2021. This apart, with net loss from operation, interest coverage ratio was below unity in FY21.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive due to its high inventory period as the company stock raw material to avoid price fluctuation risk and regular production throughout the year coupled with slow movement of finished good due to slow economy and nationwide pandemic situation. In FY21, operating cycle elongated to 330 days. The average utilisation of fund based working capital limits stood on the higher side at ~90% during the trailing 12 months ended September, 2021.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity: Stretched

The liquidity profile of SIPL is expected to remain stretched marked by elongated operating cycle mainly due to its long collection period. Further, average working capital utilisation was on the higher side at ~90% during last 12 months ending in September 2021, which indicates low liquidity buffer.



Press Release

About the Company

Shyam Indofab Private Limited (SIPL), incorporated on January 19, 2012, is promoted by Mr Sandeep Gupta. The company began commercial operations in November 2016. SIPL is engaged in knitting of fabric and installed its manufacturing unit at Amravati in Maharashtra with installed capacity of 7200 MTPA. However, the corporate office is Haryana.

SIPL is specialize in handling re-generated fibres like modal, viscose, polyester, bamboo, organic cotton, linen, and their blends. The manufacturing facility is certified as “The Global Organic Textile Standard (GOTS)”, The OEKO-TEX® Standard 100 and SOCS (Standard Organic Content Standard).

Currently, Mr. Sandeep Gupta, along with other two directors, is at the helm of affairs of the company along with a team of experienced personnel.

Financials of SIPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Income	164.31	105.01
EBITDA	22.80	2.41
PAT	0.18	-21.45
Total Debt	126.22	159.57
Tangible Net worth	57.59	36.92
EBITDA Margin (%)	13.88	2.30
PAT Margin (%)	0.11	-20.36
Overall Gearing Ratio (x)	2.41	4.66

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: India ratings moved the ratings into Issuer not cooperating category vide its PR dated March 15,2021 due to non-submission of information by the client.

Any other information: Nil



Press Release

Rating History for last three years: (Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	56.32	IVR BB; Stable	-	-	-
2.	Cash Credit	Long Term	75.00	IVR BB; Stable	-	-	-
3	GECL	Long Term	23.95	IVR BB; Stable	-	-	-
4	CECL	Long Term	3.17	IVR BB; Stable	-	-	-
5	WCTL (CELC)	Long Term	0.57	IVR BB; Stable	-	-	-
6	LC	Short Term	19.60	IVR A4	-	-	-
7	BG	Short Term	2.64	IVR A4	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Sanmoy Lahiri

Tel: (033) 46022266

Email: slahiri@infomerics.com

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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, suspend 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 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



Press Release

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
Long Term Fund Based Limits – Term Loan	-	-	March 2028	56.32	IVR BB; Stable
Long Term Fund Based Limits - Cash Credit	-	-	-	75.00	IVR BB; Stable
Long Term Fund Based Limits - GECL	-	-	January 2026	23.95	IVR BB; Stable
Long Term Fund Based Limits – CECL	-	-	July 2023	3.17	IVR BB; Stable
Long Term Fund Based Limits - WCTL (CELC)	-	-	June 2022	0.57	IVR BB; Stable
Short Term Non-Fund Based Limits- LC	-	-	-	19.60	IVR A4
Short Term Non-Fund Based Limits- BG	-	-	-	2.64	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/Shyam-Indofab-lenders-dec21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3	GECL	Simple
4	CELC	Simple
5	WCTL (CELC)	Simple
6	LC	Simple
7	BG	Simple

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.