



Press Release

Spykar Lifestyles Private Limited (SLPL)

December 19th, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Fund-Based Bank Facilities	270.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	--	Assigned	Simple
Total	Rs.270.00 crore (Rupees Two hundred and seventy crore 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

Infomerics has assigned the ratings to the bank facilities of SLPL derive strengths from strong brand presence and pan-India reach, stable revenue growth and strong promotor group and management with long track record of operations. The rating is however constrained on account of leveraged capital structure with moderate debt protection metrics and working capital intensive nature of business.

The Stable Outlook reflects expected growth in revenue and profitability with strong financial support from promotor group and expectations of stable debt protection metrics over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in revenue along with improvement in working capital cycle leading to overall improvement in liquidity position.
- Sustained improvement in capital structure.

Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.



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List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Stable operating performance

SLPL total operating income has grown consistently at a CAGR of ~39% from last three years to FY24 (refers period 01st, April 2023 to 31st, March 2024) to Rs.597.49 crore due to higher demand post lockdown on account of COVID with addition of brands during this period. However, in FY24, SLPL's revenue growth was flat due to additional discounts offered by the company to boost the revenue. During 1HFY25, SLPL has achieved revenue of Rs.338 crore with relatively subdued retail demand; however, with higher footfalls during Diwali period and expectations of higher growth during the remaining financial year, SLPL is expected to achieve revenue of Rs.656 crore at the end of FY25. SLPL EBITDA margins have declined to 6.73% in FY24 (FY23: 7.65%), due to higher contribution from low profitable of E-Commerce segment and higher discounts. However, till H1FY24 company has earned EBITDA margin to 8.93% due to improved realisations.

Strong promotor group and management with long track record of operations

The Metdist group has a majority stake in Spykar Lifestyles Private Limited (SLPL) and has been supporting the company's operations through financial assistance. The shareholders of SLPL include Metdist Industries Holdings Limited and Metmin Investment Holdings Limited. The Metdist group is led by the Bagri family based out in UK. Mr. Sanjay Vakharia he is the CEO. He is responsible for the overall management of the company. As per management, promoters' group will support the company through financially as and when needed by the company.

Strong brand presence and pan-India reach

SLPL has a strong brand recognition and market standing across India. SLPL has a robust network, with a sales force that covers over 220 Exclusive brand outlets, 900 Multi brand outlets, 800 Large format outlets and 55 from E- sales across the country. SLPL is the leading domestic player and targeted towards youth in the premium and medium segment mainly within the men's casual wear category, ensuring effective market penetration and brand recognition globally.

B. Key Rating Weaknesses



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Leveraged capital structure and moderate debt protection metrics

SLPL's capital structure remains leveraged reflected by overall gearing which is stood at 3.07x as on 31st March 2024 (31st March 2023: 2.40x) due to higher utilization of working capital limits at the end of financial year. Infomerics expects capital structure to improve from FY25 onwards with lower inventory which is expected to result in lower working capital borrowing along with better profitability. TOL/TNW stood high at 5.09x in FY24 (FY23: 4.87x) due to increase in security deposits from customers (franchisees). However, excluding advances from customer TOL/TNW stood at 4.61x in FY24 (FY23: 4.45x). SLPL's debt protection metrics remain moderate marked by interest coverage ratio and Total debt to NCA stood at 1.14x and 39.45 years respectively in FY24 (FY23: 2.17x and 9.62 years respectively), due to high interest expenses and borrowings.

Working capital intensive nature of business

SLPL's net operating cycle stood high at 203 days as per FY24 as compared to 134 in FY23 due to higher inventory and collection days. Collection days increased to 198 in FY24 (FY23:152) due to higher sales at the end of FY. s. Additionally, SLPL's focus on retail and franchise-based model in that they provide 6 months credit period to the large retailers resulting into higher collection period. Inventory days high at 107 in FY24 (FY23: 72), primarily due to higher season-based procurement. SLPL began sourcing supplies in January and August, resulting in higher inventory levels at the end of each year.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate



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The liquidity profile of SLPL is adequate with expected to generate gross cash accruals in the range of Rs. 29 crore to Rs. 50 crore as against the repayment obligation of Rs.2 crore to Rs.4 crore over FY25 and FY27. The current ratio and quick ratio stood at 1.23x while quick ratio stood moderate at 0.8x respectively as on March 31st, 2024 (March 31st, 2023: 1.25x and 0.82x respectively); The average fund-based bank limit utilization in the last 12 months ended October 2024, stood at 81.37%, the liquidity position of the company stood adequate.

About the company

SLPL was incorporated in 1992 and is engaged in retailing of affordable premium denim wear in the domestic market under the brand name of 'Spykar'. SLPL provides a complete casual range which includes jeans, fashionable denims, caps, cargos, shirts and t-shirts. SLPL does not undertake manufacturing activity of its own, but primary designing and specific is done at company's end. SLPL is also working on open costing model/contract manufacturing model. As on date, the company has 220 exclusive business outlets and 900 multi-brand outlets operating in various cities across India mainly in Metro and Tier 1, 2 & 3 cities.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	603.04	597.49
EBITDA	46.10	40.21
PAT	21.07	5.82
Total Debt	220.95	299.65
Tangible Net Worth	92.07	97.69
EBITDA Margin (%)	7.65	6.73
PAT Margin (%)	3.47	0.97
Overall Gearing Ratio (x)	2.40	3.07
Interest Coverage (x)	2.17	1.14

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil



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Rating History for last three years:

Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023- 24	Date(s) & Rating(s) assigned in 2022- 23	Date(s) & Rating(s) assigned in 2021- 22
Long Term Fund-Based Bank Facilities	Long Term	270.00	IVR BBB/ Stable	--	--	--

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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).

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
Long Term Bank Facilities – Cash Credit	--	--	Revolving	270.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Spykar-Lifestyles-dec24.pdf>

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

Annexure 4: List of companies considered for consolidated analysis: 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.