August 07, 2025

S.A.N. Garment Manufacturing Private Limited: Ratings upgraded; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based/TL	45.50	115.61	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB(Stable)/assigned for enhanced amount
Short Term - Fund Based/PC/BD	121.00	141.00	[ICRA]A2; upgraded from [ICRA]A3+/assigned for enhanced amount
Short Term – Interchangeable	(3.00)	(3.00)	[ICRA]A2; upgraded from [ICRA]A3+
Total	**166.50**	**256.61**	

**Instrument details are provided in Annexure I*

Rationale

The rating action factors in the expectations of an improvement in S.A.N. Garment Manufacturing Private Limited's (SGMPL) credit profile, aided by the increase in scale of operations on the back of healthy orders from customers and a strong demand scenario. The entity achieved significant revenue growth of 27% to Rs. 583 crore in FY2025, driven by healthy orders from existing customers, coupled with the addition of business from new customers. This, coupled with the continuation of healthy operating margins, led to an improvement in cash accruals. The debt protection metrics remained at comfortable levels as reflected by interest coverage of 4.4 times and total debt/OPBDITA of 3.0 times in FY2025. The revenues are expected to grow by 10-12% in the current fiscal to Rs. 630-640 crore, backed by a healthy order flow from the existing customers. SGMPL enjoys long-term relationships with leading women's wear retail houses, which have been facilitating repeat business. The extensive experience of its promoters, spanning over two decades in the apparel industry, continues to provide comfort. ICRA also notes the recently signed Free Trade Agreement(FTA) with the UK Government. The FTA's impact on the order flow of the entity is expected to be favourable in the medium to long term.

The ratings remain constrained by the high customer concentration risk, with the top 10 customers accounting for more than 80% of its revenues. Moreover, the high geographical concentration risk, with more than 60% of the revenues coming from the European region further constrain the ratings. SGMPL remains vulnerable to risks associated with foreign exchange rate fluctuations, though the risk is partially mitigated by the company hedging its receivables through forward contracts. ICRA notes the ongoing capex plans of the company to increase its capacities at Manesar, amounting to approximately Rs. 175 crore (primarily towards building and machinery), out of which, land worth Rs. 75 crore has already been purchased. The timely completion of the same and any time/cost overruns shall be closely monitored. This project is likely to increase the debt on the books over the next two fiscals. However, the debt coverage metrics are expected to remain at comfortable levels owing to the phased manner of capex and stable cash flows (DSCR expected to remain at around 2 times over the medium term).

SGMPL's competitiveness and profitability remain vulnerable to changes in export incentives offered by the Government. The ratings also continue to factor in the intense competition in the garment export industry from other domestic players as well as other low-cost textile exporting countries, which limits the company's pricing power. The changing trends in the fashion industry, in addition to dependence on consumer tastes and economic cycles of the destination countries are key rating monitorables.

The Stable outlook reflects ICRA's expectation of a sustained comfortable revenue growth, which, coupled with healthy utilisation of enhanced capacities, is likely to help the entity maintain comfortable credit metrics, despite the expectation of incremental debt to fund the capex plans.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters with established track record in apparel industry – SGMPL is promoted by Mr. Anupam Khandelwal and Mr. Abhinav Khandelwal, who have more than two decades of experience in the apparel export industry. Over the years, the promoters have built strong relationships with various well-known apparel retailers across the globe, leading to repeat orders every year. The company has added capacities over the years; however, it continues to focus primarily on women's wear.

Established relationship with leading European women's wear retail houses with global presence – SGMPL derives the bulk of its revenues (more than 85% in FY2025) from the export of garments to Primark Limited, ASDA Stores Ltd., Punto FA, etc. The company has a long association with its customers, resulting in repeat orders from them. In addition, the company has been adding new clients to its portfolio over the years.

Comfortable debt coverage metrics – SGMPL's top line rose 27% to Rs. 583 crore in FY2025 (against Rs. 460 crore in FY2024), supported by healthy order flow from major customers. Its operating margins have also remained stable at 11-12% in the past two years, supporting accrual generation over this period. Its debt coverage indicators remain adequate with an interest coverage of 4.4 times and DSCR of 2.8 times in FY2025. SGMPL's debt coverage indicators are expected to remain comfortable, supported by increased accrual generation despite an increase in debt levels.

Credit challenges

High customer and geographical concentration risks; seasonality inherent in operations – SGMPL continues to face high customer and geographical concentration risks, with its top 10 clients accounting for 80-90% of its revenues and the UK accounting for around 38% of revenues in FY2025. Therefore, its performance is vulnerable to any adverse development at the customers' end as well as adverse demand trends or developments that affect consumer spending and preferences in the European market. However, the risk is mitigated to some extent as it has established long-term relationships with its clients and has been gradually adding new clients to its portfolio across different countries over the years. SGMPL generates more than 70% of its revenues during Q1 and Q4 as these are peak quarters. Any disruption in operations during these quarters can impact the company's revenues and profitability significantly.

Limited bargaining power due to significant competition in garment exports business – SGMPL faces intense competition in the garment export industry from other domestic players as well as companies from other low-cost textile exporting countries, which limits SGMPL's pricing power.

Vulnerable to volatile raw material prices, demand trends in key export markets, forex rates and changes in export incentive structure – Like other apparel exporters, SGMPL's profitability is vulnerable to volatility in raw material prices, which have historically accounted for 30-40% of its cost of goods sold. Further, SGMPL's profitability is exposed to the volatility in foreign currency exchange rates as most of its revenue comes from exports, though the same is partly mitigated by the hedging practice through forward contracts. Moreover, high dependence on export incentives exposes its profitability and competitiveness in international markets to any adverse change in the export incentive structure and rates.

Capex plans to set up another factory expected to keep coverage indicators under check - The entity is in the midst of a capex amounting to Rs. 175 crore. The land, amounting to Rs. 75 crore, has already been purchased, and buildings/machinery installation shall be completed in the next 2 years. The capex will result in additional capacities of 80 lakh per annum. The said capex is likely to keep debt levels elevated and debt coverage under check with DCSR of around 2 times over the medium term.

Liquidity position: Adequate

SGMPL's liquidity position remains adequate, characterised by an average cushion of around Rs. 35 crore in its fund-based working capital limits in the past 13 months that ended in May 2025, and free cash and bank balances of around Rs. 3 crore as on March 2025. ICRA expects the company's fund flow from operations to be adequate to fund its debt repayments of Rs. 14.4 crore in FY2026 as well as margin money requirements for its working capital and capital expenditure plans.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if SGMPL demonstrates a sustained improvement in its scale of operations and achieves customer diversification while maintaining healthy profitability and effectively managing its working capital cycle, leading to an improvement in the financial risk profile.

Negative factors – The ratings may be downgraded if pressure on revenues and profitability, and/or an elongation of the working capital cycle results in weakening of debt coverage metrics. Specific credit metric for downgrade includes DSCR of less than 1.7 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles-Apparels
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

SGMPL was originally set up as a proprietorship concern, named SAN International, in 1999. In April 2011, the entity was taken over by another promoter-owned company and renamed as S.A.N. Garment Manufacturing Company Limited. The company is involved in the manufacturing and export of readymade garments for women like skirts, dresses, tops, etc., and has five manufacturing facilities, all of which are located in Gurugram, Haryana. The company's products are primarily exported to European countries such as Germany, France and Switzerland.

Key financial indicators (audited)

Standalone	FY2024	FY2025*
Operating income	460.7	583.5
PAT	27.7	48.8
OPBDIT/OI	11.5%	11.9%
PAT/OI	6.0%	8.4%
Total outside liabilities/Tangible net worth (times)	1.9	1.5
Total debt/OPBDIT (times)	3.2	3.0
Interest coverage (times)	5.3	4.4

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Provisional financials*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	FY2026			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs. crore)	07-Aug-25	Date	Rating	Date	Rating	Date	Rating
Long Term-Term Loan-Fund Based	Long Term	115.61	[ICRA]BBB+ (Stable)	28-JUN-2024	[ICRA]BBB (Stable)	-	-	09-MAR-2023	[ICRA]BBB (Stable)
Short Term-Bank Guarantee-Interchangeable	Short Term	3.00	[ICRA]A2	28-JUN-2024	[ICRA]A3+	-	-	09-MAR-2023	[ICRA]A3+
Short Term-Cash Credit-Fund Based	Short Term	141.00	[ICRA]A2	28-JUN-2024	[ICRA]A3+	-	-	09-MAR-2023	[ICRA]A3+
Short Term-Others-Non Fund Based	Short Term			-	-	-	-	09-MAR-2023	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term - Fund Based/TL	Simple
Short Term - Fund Based	Simple
Short Term - Non-Fund Based/ Interchangeable	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term – Fund based/TL	FY2021	-	FY2034	115.61	[ICRA]BBB+ (Stable)
NA	Short term – Fund based	-	-	-	141.00	[ICRA]A2
NA	Short term – Non-Fund based/Interchangeable	-	-	-	(3.00)	[ICRA]A2

Source: Firm

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis -Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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