



Press Release

Active Clothing Co Limited (ACCL)

July 15, 2020

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	58.44	IVR BBB-/Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
2.	Long Term Fund Based Facility – Term Loan	12.18	IVR BBB-/Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
	Total	70.62		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced promoters and management team, locational advantage and diversified revenue profile, variety in product offering with distinctive feature of customize designing, Y-o-Y improvement in revenue with range bound profitability, comfortable debt protection metrics and healthy gearing ratio. However, the rating strengths are partially offset by working capital intensive nature of business & high competition.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial & sustained improvement in the company's revenue and profitability along with improvement in the debt protection indicators.

Downward rating factor(s)

- Any decline in scale of operations, profitability and/or liquidity profile.
- Significant deterioration in debt protection parameters



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters and management team:

The promoters have good experience in the Textile industry. Mr Rajesh Mehra is the Managing director of ACCL, he is qualified Textile Engineer and has an extensive experience in apparel Industry of around three decades. Mrs Reenu Mehra, spouse of Mr Rajesh Mehra is Non-Executive Chairman of ACCL and is actively involved in the business and looks after day to day operations and carries two decade of experience in this garment manufacturing sector. Promoters are supported by strong management team having a vast experience in the garment industry.

Locational advantage & diversified revenue profile:

The manufacturing facility of the company are based in Mohali and Fategarh Sahib of Punjab, which is in close proximity to the textile hubs like Ludhiana, benefitting the company to procure raw material. Apart from manufacturing, the company is also into the distribution business and as well as retailing. The company has a distributorship of many brands mainly Levis & Arvind fashion. The company is also running two multi brand stores in Punjab. Manufacturing & distributorship are the major revenue contributor.

Variety in product offering with distinctive feature of customize designing and development platform:

ACCL is the sole manufacturer and supplier to Levi's India Ltd. under the sweater category and is acclaimed as No.1 distributor for its products range. ACCL is prominent player in apparel industry and includes the range of sweaters, T-Shirts, sweat shirts and Jackets and is appointed by Levi's as an end-to-end supplier for the winter-wear category. ACCL has in-house design and development division who develops the designs as per the trends, specification, directions, and requirements of the clients.

ACCL in this PANDEMIC scenario have started with the range of protective body suits viz. PPE kits with shoe cover and mask of different types for general practitioners in the medical field.



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Y-o-Y improvement in revenue & range bound profitability:

The total operating income & EBITDA of the company reflects improvement with CAGR growth of ~ 13% & ~ 9% during FY17-FY19 respectively. The EBITDA margin of ACCL remains range bound between 10.62%-11.37% during the same period. In 1HFY20 the company has archived the revenue of INR74.57 crore and EBITDA margin of 10%.

Comfortable debt protection metrics & healthy gearing ratio:

The company's total long term debt to equity stands comfortable at 0.47x in FY19 (FY18: 0.58x). The TOL/TNW stands at 1.63x (FY18: 1.40x). The overall gearing ratio stands healthy at 1.09x in FY19 (FY18: 0.99x).

Key Rating Weaknesses

Working capital intensive nature of operation:

The company business is working capital intensive as it maintains high inventory for its distribution business. Even in the manufacturing segment the inventories remain high due to stocking of raw material to maintain consistency in the product. The average cash conversion cycle remains at 211 days in FY19 (FY18:170 days)

High competition:

As the apparel manufacturing and retailing sectors are fragmented and unorganized, the competition remains high. The competition become more intense with the entry of new international brands with competitive pricing.

Analytical Approach &Applicable Criteria:

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. Overall the liquidity position of the company is expected to be **Adequate**. The short term solvency ratios are improving on Y-O-Y basis, current ratio in FY19 is 1.56x and 1.72x in FY18. The average cash credit utilization remains at 83% during the last twelve months ended May, 2020.

About the Company:

Incorporated in the year 1997, situated in Punjab, Mohali; Active Clothing Co Limited (ACCL) is a garment manufacturer, retailer and distributor majorly for B2B segment. It has a garment manufacturing capacity of 21,11,818 pieces per annum. It also markets apparels under its in house brand "AAGAIN. The company has also entered into the manufacturing of Shoe Uppers with German based technology. It has got itself listed in SME Platform of BSE in the year 2018

Financials:

For the year ended/ As On*	(INR. Crore)	
	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	127.49	154.73
EBITDA	16.10	16.43
PAT	2.37	3.06
Total Debt	56.24	65.98
Tangible Net-worth	57.05	60.66
EBITDA Margin (%)	12.63	10.62
PAT Margin (%)	1.86	1.98
Overall Gearing Ratio (x)	0.99	1.09

* Classification as per Infomerics standards

Status of non-cooperation with previous CRA: CARE has moved the rating of Active Clothing Co Limited into the Issuer Non-Cooperating category as per the Press Release dated May 04, 2020.

Any other information: N.A.



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	58.44	IVR BBB-/Stable	--	--	--
2.	Long Term Fund Based Facility – Cash Credit	Long Term	12.18	IVR BBB-/Stable	--	--	--
	Total		70.62				

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.

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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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Fund Based Facility – Cash Credit	NA	NA	NA	58.44	IVR BBB-/Stable
Long Term Fund Based Facility – Term Loan	NA	NA	December, 2022	12.18	IVR BBB-/Stable