



Press Release

Active Clothing Co Limited (ACCL)

July 12th, 2022

Ratings

Instruments	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facility – Cash Credit	48.44	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed; and Withdrawn	Simple
Long Term Fund Based Bank Facility – Term Loan	16.31	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed; and Withdrawn	Simple
Total	64.75			

Details of instruments are in Annexure 1

Rating Action

Infomerics Valuation and Rating Private Limited has reaffirmed & withdrawn the ratings of 'IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)' assigned to the Bank Facilities of Active Clothing Co Limited with immediate effect as per the company's request vide e-mail/letter dated June 27, 2022. No Objection Certificate from the lenders/banks has also been received.

Detailed Rationale

The rating is withdrawn in accordance with Infomerics' policy on withdrawal of ratings.

The aforesaid rating assigned to the bank facilities of Active Clothing Co Limited continues to derive comfort from their experienced promoters and management team, locational advantage & diversified revenue profile, reputed clientele, variety in product offerings with distinctive feature of customize designing and development platform. The rating strengths are partially offset by intensive competition and working capital intensive nature of operation.

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-



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Executive Chairman of ACCL and is actively involved in the business and looks after day to day operations and carries around two decades of experience in the 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 and retailing business. The company has a distributorship of many brands mainly Levi's. The company is also running two multi brand stores in Punjab. Manufacturing & distributorship are the major revenue contributor.

Reputed Clientele:

The company enjoys established relation with reputed clientele viz. Jack and Jones, Only, United Colours of Benetton, Peter England, Pepe Jeans, Wrangler, Lee, Levi's, Celio, Global Desi/AND, Vero Moda, Only, IZod, ICONIC, Arrow, ELLE, Ed Hardy, Mango, Aeropostale, Flying Machine, Numero UNO, Denizen, Monoprix, Dunnes, George, TCHIBO (Germany) etc. ACCL enjoys the patronage of the customers for more than 3 years. And further, the company has tied up for kids segment with renowned international brand which is Walmart, UK ; Marks and Spencer and NEXT. Further, the company has also received 16 patents for manufacturing shoe uppers for the renowned brand Adidas and Reebok.

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 inhouse design and development division who develops the designs as per the trends, specification, directions, and requirements of the clients. ACCL in this PANDEMIC scenario had started with the range of protective body suits viz. PPE kits with shoe cover and mask of different types for



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general practitioners in the medical field. Further, in fiscal FY21 the company had also become manufacturer and distributor of kid segment merchandise for renowned international brands (Marks and Spencers, NEXT and Walmart) and exports the same to the European countries.

Improvement in overall financial performance of the company:

The overall operating income of the company has improved in FY22 and stood at INR115.08 Crore as compared to INR73.14 Crore in FY21 although the performance of the company got impacted in FY20 and FY21 due to global pandemic scenario. Further, the overall profitability of the company stood comfortable in FY22 as compared to previous years. The absolute EBITDA and PAT for FY22 stood at INR9.31 Crore and INR0.52 Crore respectively. (FY21: INR10.43 Crore; INR0.05 Crore). The interest coverage ratio of the company stood at 1.76x in FY22 (FY21: 1.55x). The performance of the company backed by new contracts and product profile will be key monitorable factor.

Key Rating Weaknesses

Intensive competition:

The apparel manufacturing and retailing sector consist of large number of unorganised players leading to high competition. Most of the apparel manufacturers typically tend to be dependent on limited set of customers which leads to geographic concentration risk. Also, retail sales of international brands that have entered the Indian market in recent years, have being growing at a strong pace leading to a stiff competition with the domestic brands.

Working capital intensity:

The company's 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 operating cycle of the company stood at 268 days in FY22 (FY21: 449 days), the substantial increase operating cycle of FY21 was due to pandemic related stress observed backed by increase in inventory holding period (FY22: 214 days and FY21: 368 days).

Analytical Approach: Standalone



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Applicable Criteria:

[Methodology for Manufacturing Companies](#)

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

[Policy on Withdrawal of ratings](#)

Liquidity: Adequate

The company maintains moderate cash and bank balance to meet its liquidity requirements. Overall the liquidity position of the company is **Adequate**. The average working capital utilisation for the last 12 months ended June 2022, stood at ~69%. The company had cash and cash equivalent of INR4.26 Crore (Including FD) as on March 31, 2022

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. The company also markets apparels under its in house brand "AAGAIN". The company got listed on BSE (SME Platform) in the year 2018.

Financials: Standalone

	(Rs. crore)	
For the year ended/ As On	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	73.14	115.08
EBITDA	10.43	9.31
PAT	0.06	0.52
Total Debt	57.83	60.25
Tangible Net-worth	61.57	62.10
Ratios		
EBITDA Margin (%)	14.27	8.09
PAT Margin (%)	0.08	0.45
Overall Gearing Ratio (x)	0.94	0.97

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: The rating of Active Clothing Co Limited continues to be under Issuer Non-Cooperating category with CARE ratings as per the Press Release dated July 07, 2021

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Oct 14, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 15, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Bank Facility – Cash Credit	Long Term	48.44	IVR BB+/Stable Outlook and Withdrawn	IVR BB+/Stable Outlook	IVR BBB-/Stable Outlook	--
2.	Long Term Fund Based Bank Facility – Term Loan	Long Term	16.31	IVR BB+/Stable Outlook and Withdrawn	IVR BB+/Stable Outlook	IVR BBB-/Stable Outlook	

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.



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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 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. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facility – Cash Credit	-	-	Revolving	48.44	IVR BB+/Stable Outlook and Withdrawn
Long Term Fund Based Bank Facility – Term Loan	-	-	December, 2022	16.31	IVR BB+/Stable Outlook and Withdrawn

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Active-clothing-july22.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.