



## Press Release

### Clifton Exports Private Limited

January 24<sup>th</sup>, 2024

#### Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facilities	12.02	IVR BBB- (Stable) [IVR Triple B minus with Stable Outlook]	Reaffirmed	Simple
2.	Short Term Bank Facilities	66.15	IVR A3 (IVR A Three)	Reaffirmed	Simple
	<b>Total</b>	<b>78.17</b>	(Rupees seventy-eight crore and seventeen lakhs only)		

Details of facilities are in Annexure 1

#### Rating Rationale

The reaffirmation of the ratings of the bank facilities of Clifton exports Private Limited continues to factor in Extensive experience of the promoters in the industry, Moderate profitability margins and capital structure with moderate debt protection metrics and Diversified Product portfolio and Locational Advantage. However, the ratings remains constrained by Competitive and capital-intensive nature of the industry and Vulnerability to Regulatory Risk and changing trends.

#### Key Rating Sensitivities:

##### Upward Rating Factor:

- Significant and sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in financial risk profile.
- Effective working capital management with improvement in operating cycle and liquidity.



## Press Release

### **Downward Rating Factor:**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any further deterioration in the financial risk profile
- Any further significant rise in working capital intensity or unplanned capex leading to further deterioration in the liquidity position.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths: -**

#### **Extensive experience of the promoters in the industry with a long track record of operations leading to strong position in the industry**

CEPL is managed by Mr. B. Nadanasabapathy. He has been engaged in same industry since a long time now. The company has around three decades of operational track record in manufacturing & sales of readymade garments. The extensive experience of the promoters is also reflected through the established relationship with its suppliers and customers.

Also, under the leadership of its promoters and their established network, the company has been able to maintain growth momentum over the last few years. The promoters are supported by team of qualified & experienced professional.

#### **Moderate profitability margins**

EBITDA decreased from Rs. 14.92 Crore in FY22 to Rs. 14.25 Crore in FY23. EBITDA margin increased by 41 bps in FY23 i.e. from 5.53% in FY22 to 5.94% in FY23. The increase in EBITDA margin was due to lower raw material consumption cost along with increase in sales realization of finished products. PAT increased from Rs. 4.97 Crore in FY22 to Rs. 6.65 Crore in FY23. PAT margin of the company increased by 93 bps i.e. from 1.83% in FY22 to 2.77% in FY23. PAT margin improved because of lower amount of depreciation charged in FY23 as against FY22 along with higher non-operating income in FY23 (interest and rental income). Gross Cash Accrual of the company increased from Rs.8.59 Crore in FY22 to Rs. 9.88 Crore in FY23.



## Press Release

### **Moderate capital structure and debt protection metrics**

The capital structure remained comfortable. The Overall Gearing Ratio improved from 1.91 times as on 31-Mar-2022 to 1.50 times as on 31-Mar-2023 due to decrease in debt and also due to increase in TNW. Long term debt to equity ratio improved to 0.33x as on 31st Mar'23 as against 0.60x as on 31st Mar'22. The total indebtedness of the company as reflected by TOL/TNW improved from 3.03x as on 31-Mar-23 to 1.80x as on 31-Mar-23. Total Debt to GCA improved to 7.24 years as on 31st Mar'23 as against 9.09 years as on 31st Mar'22. The debt protection metrics stood moderate marked by Interest Coverage Ratio of 3.53 times in FY23 (FY22: 2.98) and Debt Service Coverage Ratio of 1.91x in FY23 (FY22: 1.62x).

### **Diversified Product portfolio and Locational Advantage**

CEPL is in the Knitwear cluster of India i.e., Tirupur, which provides the Company easy accessibility to raw materials at competitive prices and easy availability of skilled labour. The company is in the business of knitted garments having a diverse product portfolio.

### **Key Rating Weaknesses**

#### **Competitive and capital-intensive nature of the industry**

The company faces stiff competition from many players in the domestic as well as international market, which exerts pressure on its profitability as well as scale of business operations. The operations of the company are also very capital intensive in nature. The operating cycle of the company has stayed on the higher side in FY23(103 days) and FY22(94 days).

#### **Vulnerability to Regulatory Risk and changing trends**

CEPL has ~73% of its top line contributed by exports. This exposes the company to uncertainties which can affect the top line growth of the company in near future. Also, readymade garment business is characterized by a constant change in fashion trends and as such the ability of the company to constantly innovate in terms of fashion trends is important.

### **Analytical Approach: Standalone**



## Press Release

### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

### Liquidity: Adequate

The company's liquidity is marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has Current Ratio of 1.53x as of March 31, 2023. The Unencumbered cash and bank balance of company stood at Rs. 0.29 Crores as on 31st March 2023. The average utilisation of fund-based limits is highly utilised and stands at 99.03% and non-fund-based limits moderately utilised at 26.63%, during the past 12 months ended November 2023. The Operating Cycle of the company is elongated. The cash conversion cycle in FY23 is 103 days (FY22: 94 days). The inventory holding period is of 98 days in FY23 (FY22: 97 days). The debt protection metrics stood moderate marked by Debt Service Coverage Ratio of 1.91x in FY23 (FY22: 1.62x).

### About the Company

Erstwhile a proprietorship concern formed in 1993 by Mr. B. Nadanasabapathy and later reconstituted as a private limited company in 2007, Clifton Export Pvt. Ltd. (CEPL) is a Tirupur, Tamil Nadu based Company, engaged in manufacturing of Hosiery garments like Underwear, Baby wear and other knitwear. CEPL exports 77% of its products to countries like France, Netherland, Germany, South Korea, UK, USA etc. CEPL requires yarn and fabric as a major raw material which is mainly procured from the domestic market with only 2% imports from countries like Hong Kong, Germany, and China.

### Financials (Standalone): -

(In Rs. Crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited



## Press Release

Total Operating Income	269.81	239.93
EBITDA	14.92	14.25
PAT	4.97	6.65
Total Debt	78.16	71.49
Tangible Net Worth	41.03	47.68
EBITDA Margin (%)	5.53	5.94
PAT Margin (%)	1.83	2.77
Overall Gearing Ratio (x)	1.91	1.50

*\*Classification as per Infomerics' standards*

**Details of non-co-operation with any other CRA:** BWR vide its press release dated September 19<sup>th</sup>, 2023, has continued to classify the ratings of the company under issuer not cooperating on account of non-submission of relevant information.

**Any other information: Not Applicable**

### Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2023-24)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (24 January 2023)	Date(s) & Rating(s) assigned in 2021-22 (September 23 <sup>rd</sup> 2021)	Date(s) & Rating(s) assigned in 2020-21
Term loan	Long Term	12.02	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ CWDI	-
EPC/ PCFC	Short term	30.00	IVR A3	IVR A3	IVR A3 / CWDI	-
FBDN	Short term	23.00	IVR A3	IVR A3	IVR A3 / CWDI	
SBL	Short term	9.00	IVR A3	IVR A3	IVR A3 / CWDI	
LC	Short term	1.00	IVR A3	IVR A3	IVR A3 / CWDI	
BG	Short term	0.15	IVR A3	IVR A3	IVR A3 / CWDI	
CEL	Short term	3.00	IVR A3	IVR A3	IVR A3 / CWDI	



## Press Release

### Name and Contact Details of the Rating Analysts:

Name: Mr. Vipin Jindal

Tel: (011) 45579024

Email: [vipin.jindal@infomerics.com](mailto:vipin.jindal@infomerics.com)

### 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](http://www.infomerics.com)

**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 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.





## Press Release

### 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 – Term Loan	-	-	Upto 2028	12.02	IVR BBB-/ Stable
Short Term Fund Based – EPC/PCFC	-	-	-	30.00	IVR A3
Short Term Fund Based – FBDN	-	-	-	23.00	IVR A3
Short Term Fund Based – SBL	-	-	-	9.00	IVR A3
Short Term Non-Fund Based – LC	-	-	-	1.00	IVR A3
Short Term Non-Fund Based – BG	-	-	-	0.15	IVR A3
Short Term Non-Fund Based – CEL	-	-	-	3.00	IVR A3

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-clifton-jan24.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](http://www.infomerics.com) .