



## Press Release

### Clifton Exports Private Limited

December 21, 2022

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	24.60 (Reduced from 25.82)	IVR BBB-/ Stable	Rating Reaffirmed and Outlook assigned; removed from CWDI*	Simple
Short Term Bank Facilities	66.15 (Reduced from 67.15)	IVR A3	Rating Reaffirmed and Outlook assigned; removed from CWDI*	Simple
<b>Total</b>	<b>90.75</b>	<b>(Rupees Ninety Crore and Seventy-Five Lakh Only)</b>		

\*CWDI = Credit Watch with Developing Implications

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics has removed the ratings of the bank facilities of Clifton Exports Pvt. Ltd. from 'credit watch with developing implications' after emergence of clarity on the impact of COVID-19 pandemic on the company's business and financial risk profile.

The reaffirmation of the ratings assigned to the bank facilities of Clifton Exports Private Limited (CEPL) continues to draw comfort from its extensive experience of the promoters in the industry with a long track record of operations leading to strong position in the industry, improved scale of operations with moderate profitability margins and diversified product portfolio and locational advantage.

However, the ratings strengths are partially offset by average debt protection metrics and leveraged capital structure, competitive and capital-intensive nature of the industry and vulnerability to regulatory risk and changing trends.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant and sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals



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- Improvement in financial risk profile.
- Effective working capital management with improvement in operating cycle and liquidity.

### **Downward Factors**

- 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.

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

#### **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.

#### **Improved Scale of Operations with moderate profitability margins**

CEPL's scale of operation improved Y-o-Y by ~29% i.e. from Rs. 188.59 Crore in FY21 to Rs. 264.10 Crore in FY22. The substantial increase in the operating income is on account of increase in sales volume of readymade garments due to increase in demand from customers as well as due to increase in sales realisation of readymade garments.

The profitability margins of the company marked by EBITDA margin declined by 194 bps in FY22 i.e. from 7.47% in FY21 to 5.53% in FY22. The decrease in EBITDA margin was due to high raw material consumption cost along with decline in export incentive income in FY22. However, PAT margin of the company increased by 28 bps i.e. from 1.55% in FY21 to 1.83% in FY22. PAT margin improved because of lower amount of depreciation charged in FY22 as against FY21 along with higher non-operating income in FY22 (interest and rental income). Gross Cash Accrual of the company increased from Rs.7.24 Crore in FY21 to Rs. 8.59 Crore in FY22.



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### **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**

#### **Average Debt Protection Metrics and Leveraged Capital Structure**

The debt protection metrics stood average marked by Interest Coverage Ratio of 1.84 times in FY22 (FY21: 1.27). Total Debt to GCA stood moderate at 9.09 years in FY22 as against 11.56 years in FY21.

The company's capital structure was leveraged marked by the Overall Gearing Ratio, which improved from 2.32 times as on 31-Mar-2021 to 1.91 times as on 31-Mar-2022 on account of decrease in total debt. The total indebtedness of the company as reflected by TOL/TNW improved from 3.20x as on 31-Mar-21 to 3.03x as on 31-Mar-22.

#### **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 remained on the higher side at 104 days in FY21 and at 94 days in FY22.

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

CEPL has ~86% 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

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Assigning Rating Outlook](#)



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### **Liquidity – Adequate**

The liquidity of the company is Adequate. The company expects sufficient cushion in its cash accruals vis-à-vis debt repayments in next 3 years. The company has an unencumbered cash & bank balances of Rs. 4.78 crore as on 31-Mar-2022. The average working capital utilization was ~96% during the 12 months period ended November 2022. The Current Ratio of the company is 1.36x as on 31-Mar-2022. The company has an operating cycle of 94 days in FY22. (FY21: 104 days)

### **About the Company**

Erstwhile a proprietorship concern formed in 1993 by Mr. B. Nadanasabapathy and later reconstituted as a private limited 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 requires yarn and fabric as a major raw material. CEPL exports its products to countries like France, Netherland, Germany, South Korea, UK, USA etc.

### **Financials (Standalone):**

For the year ended*/As on	(Rs. Crore)	
	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	197.18	269.81
EBITDA	14.73	14.92
PAT	3.07	4.97
Total Debt	83.76	78.16
Tangible Net worth	36.09	41.03
EBITDA Margin (%)	7.47	5.53
PAT Margin (%)	1.55	1.83
Overall Gearing Ratio (x)	2.32	1.91

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Brickworks Ratings vide its press release dated Sep 22, 2022 has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

India Ratings vide its press release dated Feb 02, 2022 has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

**Any other information: Not Applicable**



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Sep 23, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2020-19
1.	Term Loan	Long Term	24.60	IVR BBB-/Stable	IVR BBB-/CWDI	--	--
2.	EPC/ PCFC	Short Term	30.00	IVR A3	IVR A3 / CWDI	--	--
3.	FBDN	Short Term	23.00	IVR A3	IVR A3 / CWDI	--	--
4.	SBL	Short Term	9.00	IVR A3	IVR A3 / CWDI	--	--
5.	LC	Short Term	1.00	IVR A3	IVR A3 / CWDI	--	--
6.	BG	Short Term	0.15	IVR A3	IVR A3 / CWDI	--	--
7.	CEL	Short Term	3.00	IVR A3	IVR A3 / CWDI	--	--

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

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (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.





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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](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, 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 – Term Loan	-	-	Upto Dec 2026	24.60	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.



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**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Clifton-Exports-dec22.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).

