



## Press Release

### Concept Clothing Private Limited

March 01, 2024

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Previous Ratings	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facility	3.32	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
2.	Short Term Bank Facilities	31.46	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
	<b>Total</b>	<b>34.78</b>	<b>Rupees Thirty Four Crore and Seventy Eight Lakhs Only</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the rating for long-term rating at IVR BB+ with stable outlook and short term rating at IVR A4+ for the bank loan facilities of Concept Clothing Private Limited (CCPL).

The rating continues to draw comfort from its extensive experienced of promoters and senior management in garment industry, improved scale of operations, established relationship with reputed international clientele. However, these rating strengths are partially offset by leverage capital structure and average debt protection, extensive competition in the garment retailing business, exposure to foreign exchange rate fluctuations owing to export driven revenue profile, customer concentration risk.

IVR has principally relied on the audited financial results of CCPL's up to 31 March 2023, projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

#### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with improvement in debt protection metrics.



## Press Release

### **Downward Factors**

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

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

#### **Key Rating Strengths**

##### **Extensive experienced of promoters and senior management in garment industry:**

CCPL is involved in manufacturing and export of women's garments. The entity is promoted by Mr. Vikram Mehta and his wife Mrs. Malika Mehta. Both have experience of more than two decades in trading and manufacturing of grey fabric, finished fabric and readymade garments. Even prior to the formation of the entity, both were involved in an export buying house through which they were connected to the majority of current clientele.

##### **Improved scale of operations:**

The company has booked the total operating income of Rs.104.78 crore in FY23 from Rs.74.87 crore in FY22 on account of better market sentiments and improved disposable income along with pent-up demand in the overseas market. The EBIDTA and PAT has improved and stood at Rs.6.99 crore and Rs.2.44 crore respectively in FY23 as compared to Rs.5.86 crore and Rs.1.21 crore respectively in FY22.

##### **Established relationship with reputed international clientele:**

CCPL's main customer include major international retailers like Sundance Holding Limited, ITX Trading SA, El Corte Eangles (Div – Safera), One Jeans wear Company, Ova Spa Limited, Tjmax etc. Established relationships with these clientele, quality products and timely order execution helped the company get repeat orders from existing customers and acquire new customers.

#### **Key Rating Weaknesses**

##### **Leverage Capital Structure and average debt protection:**

CCPL has a modest net worth of Rs. 13.01 crore as on March 31, 2023. Company's capital structure is leveraged with overall gearing of 2.48 times due to high reliance on bank limits to support its working capital requirement and TOL/ATNW ratio of 3.92 times as on March 31, 2023. Further, debt protection metrics of the entity are average, as reflected in interest coverage of 3.50 times and debt service coverage of 1.64 times while Total debt to GCA stood high at 8.25 times in fiscal year 2023.

##### **Extensive competition in the garment retailing business:**



## Press Release

The company also faces stiff competition from other established brands in the garment segment as there are more players in the textile industry, customers now have more options to choose the product according to their comfort. Such diverse business models have made the textile industry more competitive.

**Exposure to foreign exchange rate fluctuations owing to export driven revenue profile:**

As the company mainly revenues depend on America and Europe and thus exposed to foreign currency fluctuation risks on its export receivables. The foreign exchange risk will be affected by changes in the exchange rates between currencies. However, the foreign exchange risk is mitigated to some extent as the company is availing the forward contract limit.

**Customer Concentration Risk:**

Notwithstanding the long-term client relationships, the company is exposed to high customer concentration risk with around 55.40% of its revenue derived from the top three customer in FY23. However, comfort can be drawn from the fact that CCPL has established relationship with most of these clients which result in repeat orders.

**Analytical Approach:** For arriving at the ratings, IVR has analysed CCPL's credit profile by considering the standalone financial statements of the company.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for rating outlook](#)

**Liquidity – Adequate**

The liquidity profile of the company is expected to remain adequate with expectation of satisfactory cash accruals of Rs 4.86-6.23 crore for the period FY24-26 vis-à-vis its debt repayment obligations in the range of Rs 2.65-0.56 crore.. The current ratio of the company is also moderate. Further, the average utilisation of working capital limits for the 12 months ending January 2024 was 53% having sufficient buffer.

**About the Company**

Concept Clothing Private Limited established as Concept Clothing (CC) a partnership firm in 2006, is a private limited company and converted into present constitution in Dec 2020. The entity is promoted by Mr. Vikram Mehta and his wife Mrs. Malika Mehta. The CCPL is involved in manufacturing and export of women's garments. The firm (now private limited company) commenced operations in June 2006 with one manufacturing unit and at present operates multiple units in Gurgaon, Haryana with a total manufacturing capacity of 18 lakhs garment pieces per annum. Company is supplying women's garments to reputed and well-established



## Press Release

companies including Sundance Holding Limited, ITX Trading SA and Orchestra Preman Limited etc. having strong brand recall and loyalty among their customers. The entity is getting supply of grey fabric and printed fabric from traders and manufactures located majorly in Delhi, Tamil Nadu, Gujarat, and Maharashtra.

### Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	74.87	104.78
EBITDA	5.86	6.99
PAT	1.21	2.44
Total Debt	36.72	32.21
Tangible Net worth	10.63	13.01
EBITDA Margin (%)	7.82	6.67
PAT Margin (%)	1.61	2.32
Overall Gearing Ratio (x)	3.46	2.48

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Brickwork Ratings vide press release dated June 7, 2023 has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (February 03, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	3.32	IVR BB+/Stable	IVR BB+/Stable	-	-
2.	Fund Based	Short Term	30.00	IVR A4+	IVR A4+	-	-
3.	Non Fund Based	Short Term	1.46	IVR A4+	IVR A4+	-	-

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



## Press Release

Name: Mr. Om Prakash Jain  
Tel: (011) 45579024  
Email: [opjain@infomerics.com](mailto:opjain@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
GECL – 1	-	-	March 2026	0.96	IVR BB+/Stable
GECL – 2	-	-	March 2026	2.36	IVR BB+/Stable
EPC/PCFC	-	-	-	30.00*	IVR A4+
Bank Guarantee	-	-	-	0.06	IVR A4+
Forward Contract	-	-	-	1.40	IVR A4+

*\*FDB/FBE/BRD/Rupee advance/EBRA (LC/ILC) Rs.25.00 Cr is sublimit of Rs.30 Cr.*

*\*PC/PCFC Rs.17.00 Cr is sublimit of Rs.30 Cr*

*\*BULC Rs.5.00 Cr is sublimit of Rs.30 Cr.*

*\*ILC/FLC (DA/DP) Rs. 5.00 Cr is sublimit of Rs.30.00 Cr.*

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Concept-Clothing-mar24.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 [Complexity Level of Rated Instruments/Facilities](#).