



Press Release

Concept Clothing Private Limited

February 03, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities –	7.37	IVR BB+ with Stable Outlook (IVR Double B Plus With Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	30.00*	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	37.37	Rupees Thirty-seven & thirty seven lakhs only		

**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.*

Details of Facilities are in Annexure 1

Detailed Rationale

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

The rating draws comfort from the extensive experienced of promoters and senior management in garment industry, growth in scale of operations in FY22 and established relationship with reputed international clientele. However, these 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, and customer concentration risk.

IVR has principally relied on the standalone audited financial results of CCPL up to 31 March 2022, 9MFY2023 provisional results and projected financials for FY2023, FY2024 and FY2025, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

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

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. Mr. Vikram Mehta and Mrs. Malika Mehta have the commutative experience of more than four 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.

Growth in scale of operations in FY22 :

The company registered a growth in its total operation income by around ~11% to Rs. 74.87 crore in FY22 mainly driven by increase in order execution with addition of new clients in the customer profile as well as receipt of orders from existing clients. Subsequently, the EBITDA and PAT also showed improvement as they stood at Rs.5.86 crores and Rs.1.21 crores in FY22 respectively as compared to Rs.2.86 crores and Rs.0.66 crores in FY21. The EBITDA and PAT margins of the company stood at 7.82% and 1.61 % respectively in FY22 as compared to 4.28% and 0.98% in FY21.



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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. 10.63 crore as on March 22. The company's capital structure is leveraged with over all gearing of 3.46 times due to high reliance on bank limits to support its working capital requirement and TOL/ANW ratio of 4.74 times as on March 31, 2022. Further, debt protection metrics of the entity are average, as reflected in interest coverage of 3.51 times while Total debt to GCA stood high at 10.99 times in fiscal 2022.

Extensive competition in the garment retailing business:

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.



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Customer Concentration Risk

Notwithstanding the long-term client relationships, the company is exposed to high customer concentration risk with around ~69% of its revenue derived from the top three customer in FY2022. 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: Standalone

Applicable Criteria :

[Rating Methodologies for Manufacturing Entities](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate with expectation of satisfactory cash accruals vis-à-vis its debt repayment obligations. The current ratio of the company was also moderate. Also, the average utilisation of working capital limits for the 11 months ending Dec 22 was 72% having sufficient buffer. The cash generation for the period FY23-25 is expected Rs 4.11- 5.59 crores as against the repayment of term loan Rs 1.71- 2.09 crs. The company has cash and bank balances of Rs. 9.74 cr. as on March 31, 2022.

About the Company

Concept Clothing Private Limited, established as Concept Clothing (CC) as 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 lacs garment pieces per annum. company is supplying women's garments to reputed and well-established 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



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supply of grey fabric and printed fabric from traders and manufactures located majorly in Delhi, Tamil Nadu, Gujarat, and Maharashtra.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	67.06	74.87
EBITDA	2.87	5.86
PAT	0.66	1.21
Total Debt	34.17	36.72
Tangible Net worth*	9.22	10.63
EBITDA Margin (%)	4.28	7.82
PAT Margin (%)	0.98	1.61
Overall Gearing Ratio (x)	3.71	3.46

*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

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	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	7.37	IVR BB+ with Stable Outlook (IVR Double B Plus With stable Outlook)	-	-	-
2.	PC/PCFC/ FBD/ FBE/BRD/ EBRA	Short Term	30.00*	IVR A4+ (IVR A Four Plus)			

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

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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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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 Bank Facilities – Term Loan	-	-	-	7.37	IVR BB+ with stable Outlook (IVR double B Plus With stable Outlook)
Short term Bank Facilities – PC/PCFC/FBD/ FBE/BRD/EBRA				30.00*	IVR A4+ (IVR A Four Plus)

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

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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-feb23.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