



Press Release

Clifton Export Private Limited

September 23, 2021

Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facility	25.82	IVR BBB-/ Credit Watch with Developing Implications	Reaffirmed/ Assigned
2.	Short Term Bank Facility	67.15	IVR A3 Credit Watch with Developing Implications	Reaffirmed/ Assigned
	Total	92.97		

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating assigned to the bank facilities of **Clifton Export Private Limited** draws comfort from its experienced promoters and top Management along with proven track-record of executing export orders, a strong credit profile with a diversified product portfolio and locational advantage. However, these rating strengths are partially offset by intense competition in the industry and the reduced scale of operations due to the pandemic.

Upward Factors

- 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

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.



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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:**

The promoters of the CEPL have more than two decades of experience in manufacture and export of textile products. Over the years, they have established healthy business relationships with its customers which results in repeat orders for CEPL. Due to this, even during the global pandemic the Company has a healthy order book of around Rs. 110 Crs as on 26th July 2021.

- **Strong credit profile:**

The total outside liabilities to tangible net worth (TOL/TNW) ratio improved significantly to 3.00 times as on 31 March 2021 (from 4.23 times as on 31 March 2018). The debt protection ratios have stayed consistent with Interest Coverage Ratio at 2.41 in FY21 as compared to 2.44 in FY20. The DSCR stood consistent at around 1.70 for FY21 and FY20.

- **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

- **Reduced scale of Operations due to Covid-19 pandemic:**

The muted demand due to global pandemic is a growing concern for the textile industry which had already been under pressure due to unfavorable demand supply scenario across the nation. The Company's lower TOI in FY21 i.e., Rs. 197.08 crore as compared to Rs. 303.68 crore in FY20 has set the company back to 2018 levels. The company has enough to capacity to reach back to those levels unless there is another systemic shock to the industry.

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



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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 increased considerably in FY21 to 100 days from 42 days in FY20.

Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The company has adequate liquidity as seen by Gross Cash Accruals of Rs. 8-10 crore which are higher as compared to the debt obligations ranging around Rs. 3-6 crores from FY22-24. Its bank limits are utilized to the extent of ~95% during the past 12 months ended June 30, 2021. The company has enough headroom in terms of gearing.

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 exports 80% 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):

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	303.68	197.08
EBITDA	19.18	15.16
PAT	4.91	3.61
Total Debt	69.20	84.09
Adjusted Tangible Net worth	33.11	37.23
EBITDA Margin (%)	6.31%	7.69%



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For the year ended*/As on	31-03-2020	31-03-2021
PAT Margin (%)	1.61%	1.83%
Overall Gearing Ratio (x)	2.09	2.26

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	25.82	IVR BBB-/ Credit Watch with Developing Implications	-	-	-
2.	FBD/ EPC	Short Term	62.00	IVR A3 Credit Watch with Developing Implications	-	-	-
3.	Bank Guarantee	Short Term	5.15	IVR A3 Credit Watch with Developing Implications	-	-	-

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.

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About Infomerics:



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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- Term Loan	-	-	-	25.82	IVR BBB-/ Credit Watch with Developing Implications
Short Term Bank Facility – FBD/ EPC	-	-	-	62.00	IVR A3 Credit Watch with Developing Implications
Short Term Bank Facility- Bank Guarantee	-	-	-	5.15	IVR A3 Credit Watch with Developing Implications

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Clifton-Export-lenders-23sep21.pdf>