Concept Clothing Private Limited

May 13, 2025

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	14.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Rating Upgraded	Simple
2.	Short Term Bank Facilities	40.00	IVR A3 (IVR A Three)	IVR A4+ (IVR A Four Plus)	Rating Upgraded	Simple
	Total	**54.00**	**Rupees Fifty Four Crore Only**			

Details of Facilities/Instruments are in Annexure 1.
Facility wise lender details are at Annexure 2.
Detailed explanation of covenants is at Annexure 3.

Detailed Rationale
Infomerics Ratings has upgraded the long-term rating of IVR BBB- with stable outlook and the short-term rating of A3 for the bank loan facilities of Concept Clothing Private Limited (CCPL).

The rating continues to draw comfort from the experienced promoters and management, continuous improvement in scale of operations and reputed clientele. However, these rating strengths are partially offset by average financial risk profile and moderate debt protection metrics, exposure to intense competition due to low entry barrier, exposure to foreign exchange fluctuation risk, regulations in other geographies and vulnerability to changing trends, customer concentration risk.

The 'stable' outlook reflects the benefit over the medium term from its established position and healthy relationship with its customers and suppliers. The industry outlook for the clothing sector is also positive and good demand is expected.

IVR has principally relied on the audited financial results of CCPL up to 31 March 2024, (i.e. review period from 1st April 2023 to 31st March 2024), and projected financials for FY2025, FY2026 and FY2027 and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in revenue above Rs.145.00 crore and improvement in profitability.
- Improvement in capital structure and debt protection metrics.
- Efficient working capital management leads to improvement in the operating cycle.

Downward Factors

- Any decline in scale of operations and/or profitability, leading to deterioration in debt protection metrics on a sustained basis.
- Moderation in the capital structure with moderation in overall gearing ratio to over 3x.
- Elongation in operating cycle to more than 150 days impacting the liquidity.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Experienced promoters and management:**
  The company is promoted by Mr. Vikram Mehta and Mrs. Malika Mehta, who collectively bring over two decades of experience in the trading and manufacturing of grey fabric, finished fabric, and ready-made garments. Prior to establishing CCPL, both promoters were actively involved in operating an export buying house, which enabled them to build strong relationships with many of their current clients. The promoters are well supported by a competent management team, which has over two decades of industry experience. This collective expertise has contributed significantly to the company's ongoing business development and operational growth.

- **Continuous improvement in scale of operations:**
  In FY2024, the company booked a total operating income of Rs.115.30 crore, reflecting a year-on-year growth from Rs.103.38 crore in FY2023 on account of higher sales volumes coupled with improved sales realization prices, driven by favorable market conditions and enhanced product demand. Operational performance also improved, with EBITDA decreasing to Rs.6.61 crore in FY2024 from Rs.6.99 crore in the previous fiscal year, indicating an increase in cost of production. The company's Profit After Tax (PAT) improved to Rs.3.39 crore in FY2024, compared to Rs.2.44 crore in FY2023, supported by higher operating margins.

- **Reputed clientele:**

CCPL's clientele comprises international retailers such as Sundance Holding Limited, ITX Trading SA, El Corte Inglés (Division – Safera), One Jeanswear Company, OVA Spa Limited, and TJ Maxx, among others. The company has developed long-standing relationships with these global buyers, supported by its consistent delivery of high-quality products and adherence to timely order execution. These established partnerships have not only resulted in a steady stream of repeat business from existing customers but have also enhanced the company's credibility in international markets, enabling it to expand its customer base and secure new business opportunities.

A. Key Rating Weaknesses

- **Average financial risk profile and moderate debt protection metrics:**
  The company's capital structure has improved in FY2024, with the overall gearing ratio moderating to 2.02x, as compared to 2.48x in FY2023. However, the total level of indebtedness remains leverage, as evidenced by the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio, which stood at 3.54x in FY2024, marginally improved from 3.92x in the previous fiscal year. Debt protection metrics also remained at moderate levels. The interest serviced coverage ratio (ISCR) improved to 3.14x in FY2024. Additionally, the Debt Service Coverage Ratio (DSCR) stood at 1.74x during the year, reflecting the company's sufficient capacity to service its debt, though with limited buffer.

- **Exposure to intense competition due to low entry barrier:**
  The apparel manufacturing and retail sectors in India are highly fragmented and largely unorganized, resulting in intense competitive pressure. A significant number of apparel manufacturers operate on a relatively small scale and are heavily reliant on a limited customer base, which exposes them to customer and geographic concentration risks. Furthermore, the rapid expansion of international brands in the Indian retail market has intensified competition, posing significant challenges for domestic players in terms of market share, pricing, and brand positioning.

- **Exposure to foreign exchange fluctuation risk, regulations in other geographies and vulnerability to changing trends:**
  The company operates in both export and domestic markets, which exposes it to various external risks, including foreign exchange fluctuation and regulatory changes in international markets. Volatility in currency exchange rates can impact on the company's profitability, especially given its significant exposure to exports. Additionally, operations in multiple geographies make the company susceptible to sudden shifts in trade policies, import-export regulations, and compliance requirements abroad. Moreover, the readymade garments industry is highly dynamic and influenced by rapidly evolving fashion trends. Sustained success in this sector

requires the company to consistently innovate and adapt its product offerings to align with changing consumer preferences. The ability to anticipate and respond to market trends in a timely manner remains critical for maintaining competitiveness and customer loyalty.

- **Customer concentration risk:**
  Despite having established long-term relationships with its clientele, the company remains exposed to a high degree of customer concentration risk, with approximately 57% of its revenue in FY2024 derived from its top two customers. However, this risk is partially mitigated by the strong and enduring associations CCPL has developed with these key clients, which have consistently translated into repeat business and stable order inflows over the years.

Analytical Approach: For arriving at the ratings, INFOMERICS has applied its rating methodology as detailed in the rating criteria below. 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 assigning Rating outlook.
- Policy on Default Recognition
- Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

CCPL's liquidity position is adequate marked by gross cash accruals of Rs.4.69 crore in FY2024 as against Rs.1.80 crore of repayment obligation in FY2024. Moreover, the company is expected to generate cash accruals in the range of Rs.5.50 crore to Rs.7.07 crore as against its repayment debt obligation in the range of Rs.1.49 crore to Rs.1.63 crore during FY2025-27. The company has a current ratio of 1.05x in FY2024.

About the Company

Concept Clothing Private Limited (CCPL), initially established as Concept Clothing (CC) in 2006 as a partnership firm, transitioned to its current structure as a private limited company in December 2020. The company is promoted by Mr. Vikram Mehta and his wife, Mrs. Malika Mehta. CCPL specializes in the manufacturing and export of women's garments. The company commenced operations in June 2006 with a single manufacturing unit and has since expanded to operate multiple units in Gurgaon, Haryana, with a total production capacity of 1.8 million garments per annum. CCPL serves key markets in Latin America, the United States, and Europe.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	104.78	115.30
EBITDA	6.99	6.61
PAT	2.44	3.39
Total Debt	32.21	32.87
Tangible Net worth	13.01	16.24
EBITDA Margin (%)	6.67	5.73
PAT Margin (%)	2.32	2.90
Overall Analysed Gearing Ratio (x)	2.48	2.02
Interest Coverage Ratio (x)	2.51	3.14

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: It is under ISSUER NOT COOPERATING category with Brickwork ratings via press release date June 5, 2024, due to nonavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24 (March 1, 2024)	Date(s) & Rating(s) assigned in 2022-23 (February 3, 2023)
1.	Fund based	Long Term	14.00	IVR BBB-/ Stable	-	IVR BB+/Stable	IVR BB+/Stable
2.	Fund Based	Short Term	40.00	IVR A3	-	IVR A4+	IVR A4+

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About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [Formerly Infomerics Valuation and Rating Private Limited] 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 and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	May 2027	1.62	IVR BBB-/Stable
Term Loan 2	-	-	November 2032	12.38	IVR BBB-/Stable
Pre Shipment Credit	-	-	-	40.00	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-concept-clothing-may25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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.