

January 06, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>16.20</b>	<b>SMERA BB+ / Stable (Assigned)</b>
<b>Term Loan</b>	<b>10.25</b>	<b>SMERA BB+ / Stable (Assigned)</b>
<b>Inland Letter of Credit</b>	<b>2.10</b>	<b>SMERA A4+ (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs.28.55 crore bank facilities of Indian Clothing League Private Limited (ICL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, healthy revenue growth and strong marketing platform. The ratings are further supported by the company's moderate financial risk profile marked by healthy profit margins and moderate debt protection metrics. However, the ratings are constrained by the company's working capital-intensive operations. The ratings are further constrained by the company's exposure to high competition prevalent in the textile industry.

ICL, incorporated in 1987, is a Punjab-based company engaged in manufacturing and retailing of readymade garments for kids. The company sells garments under the brand name '612 Ivy League' and 'Baby League'. Mr. Manu Indrayan, Director of ICL, has a postgraduate degree in management from the Indian Institute of Management Bangalore (IIMB) with over two decades of experience in the textile industry. Mrs. Mohita Indrayan, Director of ICL and wife of Mr. Manu Indrayan, has a postgraduate degree from the National Institute of Fashion Technology (NIFT) with over 15 years of experience in the textile industry.

ICL's revenues grew at a CAGR of 135 per cent over FY2009–10 to FY2012–13 due to establishment of point of sales terminals across India.

The company's debt protection metrics are moderate with leverage at 1.83 times as on March 31, 2013 and interest coverage ratio stands at 2.09 times in FY2012–13. ICL's net profit margin increased from 0.97 per cent in FY2008–09 to 3.87 per cent in FY2012–13.

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ICL operates in a highly competitive and fragmented textile industry, which is vulnerable to raw material price volatility and labour availability issues.

ICL has recently signed a term sheet for induction of private equity capital of Rs.25 crore. The due diligence for the same is in progress and funds are likely to be infused by December 2013.

### **Rating sensitivity factors**

- Scaling up operations while improving capital structure and working capital management.
- Entering markets in Tier II and Tier III cities while maintaining cost and working capital cycle.

### **Outlook: Stable**

SMERA believes ICL will maintain its moderate business risk profile in the medium term on the back of its experienced management and widespread geographical reach. The outlook may be revised to 'Positive' in case the company achieves better working capital management while maintaining leverage. Conversely, the outlook may be revised to 'Negative' in case of a further stretch in the company's working capital management or in case of deterioration in the company's profit margins.

### **About the company**

ICL (formerly known as Vibgyor Business Ventures Private Limited) is a Punjab-based company engaged in manufacturing and retailing of readymade garments for kids. The company was promoted in 1987 by Mr. V. K. Indrayan Mr. Manu Indrayan (son of Mr. V. K. Indrayan)

The company has two manufacturing units in Ludhiana (Punjab) with an installed capacity of 75,000 pieces per month (PPM). ICL has 202 point-of-sale terminals across more than 50 cities in India. The company has established relationships with various large-format stores including Shoppers Stop, Reliance Trends, Maya, Central and Globus. ICL has set up eight flagship exclusive brand outlets in North India. The company has its own online shopping platform along with tie ups with various online retailers including Jabong and Snapdeal.

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For FY2012-13, ICL reported PAT of Rs.1.02 crore on operating income of Rs.26.50 crore as compared with PAT of Rs.0.65 crore on operating income of Rs.13.08 crore for FY2011-12. The company's net worth stands at Rs.9.39 crores as on March 31, 2013 as compared with Rs.5.04 crores a year earlier.

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