



SMERA RATINGS LIMITED

Indian Clothing League Private Limited (ICL)

*Rating
Rationale*

November 04, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	16.20	SMERA BB+/ Positive (rating reaffirmed; outlook revised)
Term Loan	10.25	SMERA BB+/ Positive (rating reaffirmed; outlook revised)
Inland Letter of Credit	2.10	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and the short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.28.55 crore bank facilities of Indian Clothing League Private Limited (ICL). The outlook has been revised from 'Stable' to '**Positive**' on the back of improvement in the financial risk profile of the company post infusion of private equity funds and improvement in retail tie ups with large retail corporate. The ratings continue to draw support from 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. However, the ratings are constrained by the company's working capital-intensive operations. The ratings are also constrained by the company's moderate-scale operations amidst intense competition in the readymade garment industry.

Update

ICL's net sales have increased from Rs.24.55 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.42.20 crore in FY2013-14 on account of increase in point-of-sales terminals. The company's debt-equity ratio reduced from 1.83 times as on March 31, 2013 to 0.61 times as on March 31, 2014 post infusion of private equity funds of Rs.18.00 crore. ICL's operating profit margins declined from 13.74 per cent in FY2012-13 to 9.71 per cent in FY2013-14 on account of extended end-of-season sale in FY2013-14. The company's net profit margin declined from 4.17 per cent in FY2012-13 to 1.47 per cent in FY2013-14.

ICL continues to benefit from its experienced management. Mr. Manu Indrayan, director of ICL, has a postgraduate degree in management from the Indian Institute of Management Bangalore (IIMB) with around two decades of experience in the textile industry. Mrs. Mohita Indrayan (wife of Mr. Manu Indrayan), director of ICL, has a postgraduate degree from the National Institute of Fashion Technology (NIFT) with around 15 years of experience in the textile industry.

The company's moderate debt protection metrics are reflected in leverage of 0.61 times as on March 31, 2014 and interest coverage ratio of 1.39 times in FY2013-14.

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Notwithstanding strong revenue growth, the company has moderate-scale operations with revenue of Rs.42.20 crore in FY2013–14. ICL's operations are working capital-intensive with gross current assets (GCA) of around 292 days in FY2013–14. The company operates in a highly competitive and fragmented segment of the textile industry.

Outlook: Positive

SMERA believes the outlook on ICL's rated facilities is 'Positive' over medium term, on the back of improvement in the company's financial risk profile due to infusion of private equity funds, and expected additional investments in the future. The ratings may be upgraded in case of higher than expected revenues and accruals while maintaining its working capital cycle and debt protection metrics. Conversely the outlook may be revised to 'Stable' in case of further stretch in the company's working capital cycle or lower than expected accruals or in case of any significant capex plans being taken up by the company.

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 children. The company was promoted in 1987 by Mr. V. K. Indrayan and Mr. Manu Indrayan (son of Mr. V. K. Indrayan).

ICL has two manufacturing units in Ludhiana (Punjab) with total installed capacity of 75,000 pieces per month (PPM). The company sells garments under the brand names of '612 Ivy League' and 'Baby League'. ICL has 258 point-of-sale terminals across 50 cities in India. The company has established relations with leading large-format stores including Shoppers Stop, Reliance Trends, Maya, Central and Globus. ICL has its own online shopping platform. The company also has tie-ups with various online retailers including Jabong and Snapdeal.

For FY2013–14, ICL reported profit after tax (PAT) of Rs.0.62 crore on operating income of Rs.42.20 crore, as compared with PAT of Rs.1.02 crore on operating income of Rs.24.55 crore in FY2012–13. The company's net worth stood at Rs.26.33 crore as on March 31, 2014, as compared with Rs.9.39 crore a year earlier.

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