

October 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	24.50	SMERA BBB-/Stable (upgraded from SMERA BB+/Positive)

SMERA has upgraded the rating of the Rs.24.50 crore long-term (fund based) bank facilities of Indian Clothing League Private Limited (ICL) to **'SMERA BBB-' (read as SMERA triple B minus)** from **'SMERA BB+' (read as SMERA double B plus)**. The outlook is **'Stable'**. The upgrade reflects the significant improvement in the company's financial risk profile, backed by private equity infusion of around Rs.25 crore in FY2014-15, and another Rs.25 crore of infusion expected over the next 6-12 months. The upgrade also factors in the improvement in ICL's market position, marked by higher revenues per store and increasing brand visibility.

The rating continues to draw support from the company's experienced management, strong marketing platform and moderate financial risk profile. However, the rating is constrained by the working capital-intensive operations and intense competition in the readymade garment industry.

Update

ICL's revenues have increased from Rs.42.20 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.69.70 crore in FY2014-15 on account of increase in point-of-sales terminals and improvement in retail tie ups with large retail corporates. The company's debt-equity ratio is comfortable at 0.83 times as on March 31, 2015 as compared to 0.67 times as on March 31, 2015. ICL's operating profit margins declined to 6.30 per cent in FY2014-15 from 9.71 per cent in FY2013-14 on account of increase in brand building (advertising) expenses and discounts given to the customers. The company's net profit margin improved marginally to 1.73 per cent in FY2014-15 from 1.47 per cent in FY2013-14. ICL's interest coverage ratio improved marginally to 1.95 times in FY2014-15 from 1.39 times in FY2013-14.

ICL continues to benefit from its experienced management. Mr. Manu Indrayan, Director, 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.

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Notwithstanding strong revenue growth, the company has moderate-scale of operations with revenue of Rs.69.88 crore in FY2014-15. ICL's operations are working capital intensive with gross current assets (GCA) of around 304 days in FY2014-15. The company operates in a highly competitive and fragmented segment of the textile industry.

Outlook: Stable

SMERA believes ICL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and well established marketing channel. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case of an inordinate elongation in its working capital cycle or significant debt funded capex, leading to deterioration in its financial risk profile.

About the Company

ICL (formerly known as Vibgyor Business Ventures Private Limited) is a Punjab-based company engaged in the manufacture and retail 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 1,75,000 pieces per month (PPM) and sells garments under the '612 Ivy League' and 'Baby League' brand names. The company has 347 point-of-sale terminals across 50 cities in India and established relations with Shoppers Stop, Reliance Trends, Maya, Central and Globus. Further, ICL also has its own online shopping platform and tie-ups with various online retailers including Jabong and Snapdeal.

For FY2014-15, ICL reported profit after tax (PAT) of Rs.1.90 crore on operating income of Rs.69.88 crore, as compared with PAT of Rs.1.02 crore on operating income of Rs.24.55 crore in FY2013-14. The company's net worth stood at Rs.29.92 crore as on March 31, 2015, as compared with Rs.24.82 crore a year earlier. The company has achieved revenues of Rs. 44.72 crore (provisional) for the period April-August 2015.

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