



Press Release
NETWORK CLOTHING COMPANY PRIVATE LIMITED
June 27, 2025
Rating Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------------|---------------------|--|----------------------------|
| Bank Loan Ratings | 47.50 | ACUITE BBB Negative Reaffirmed Stable to Negative | - |
| Bank Loan Ratings | 40.50 | - | ACUITE A3+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 88.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple Ba**) and short-term rating of ‘**ACUITE A3+**’ (read as **ACUITE A Three Plus**) on the Rs. 88.00 Cr. bank facilities of Network Clothing Company Private Limited. The outlook is revised from ‘**Stable**’ to ‘**Negative**’.

Rationale for rating

The revision in outlook from ‘**Stable**’ to ‘**Negative**’ is on account of expected deterioration in profitability on account of increased overhead costs in FY2025 as compared to previous years.

Further, the rating reaffirmation considers NCCPL’s sustained growth in operating income over the years ending FY2025E, extensive industry experience of the company’s management along with its moderate financial risk profile. However, the rating remains constrained on account of working capital-intensive nature of operations and susceptibility of the margins to raw material price fluctuations.

Going ahead, the ability of the company to sustain growth in its scale of operations while improving profitability levels will remain a key monitorable.

About the Company

Tamil Nadu-based, Network Clothing Company Private Limited (NCCPL) is incorporated in the year 1999. NCCPL is engaged in manufacturing of knitted garments for kids, men, and women. It exports around 50% of its total production to countries like Sweden, France, UK, Ireland, Australia, and UAE. NCCPL manufactures women’s hosiery products under the brand name of “Twin Birds.” The company operates from eight units in Tamil Nadu, seven of these units are located in Tiruppur and one unit is located in Erode.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Network Clothing Company Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operation

NCCPL was incorporated in the year 1999. The current directors of the company are Mr. Ravi Arvind and Mr. Murugasamy Ravi. The top management is ably supported by a well-qualified and experienced team of the second line of management. Its customer base is wide, with no significant revenue concentration.

Acuité believes that NCCPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

Improvement in the operating income albeit estimated deterioration in operating profitability in FY2025

In FY2024, the company's revenue increased to Rs. 284.63 Cr, marking ~13.00 % increase compared to Rs. 252.13 Cr. in FY2023. Furthermore, it is expected to increase to Rs. 312.14 Cr. in FY2025 due to increase in demand for the products in both the domestic and international market. However, the operating profit margin of the company is estimated to decline to 4.80% in FY2025 from 9.53% in FY2024 and 9.60% in FY2023.

Acuité believes that the ability of the company to improve its profitability while sustaining growth in revenues will remain a key monitorable.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by improving net worth, moderate gearing and debt-protection metrics. The tangible net worth improved and stood at Rs. 75.24 Cr. as on 31 March 2024 as against Rs. 63.19 Cr. as on 31 March 2023 due to accretion of profits to reserves. The gearing level marginally improved and stood at 0.79 times as on 31 March 2024 as against 0.97 times as on 31 March 2023. Total outside liabilities to Tangible net worth (TOL/ TNW) stood at 1.05 times as on 31 March 2024 as against 1.29 times as on 31 March 2023. The debt protection metrics are moderate where interest coverage ratio (ICR) stood at 4.05 times in FY2024 as against 3.73 times in FY2023. Debt service coverage ratio (DSCR) stood at 3.37 times in FY2024 as against 3.19 times in FY2023. Net Cash accruals / total debt (NCA/TD) ratio stood at 0.28 times in FY2024 as against 0.23 times in FY2023. Further, the company is setting up a new facility within its existing factory premises to enhance in-house production capacity for export operations. The estimated project cost is ~Rs. 7–8 Cr. which will be funded through internal accruals.

Acuité believes that the financial risk profile of the company will continue to be moderate in near to medium term.

Weaknesses

Intensive Working Capital Operations

The working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 131 days in FY2024 as compared to 139 days in FY2023. The inventory days stood at 58 days in FY2024 as compared to 63 days in FY2023. The debtor days stood at 41 days in FY2024 as against 38 days in FY2023. Further, the creditor days stood at 45 days in FY2024 as compared to 49 days in FY2023. The average utilization of working capital limits remained high with average utilisation of fund-based limits at ~97.96% over the last six months ending May 2025.

Acuité believes that the working capital operations of the company will remain at similar levels given the nature of the industry over the medium term.

Highly fragmented and competitive industry

The knitted garment industry in India is highly fragmented and competitive, marked by the presence of a large number of organised and unorganised players. The company is exposed to intense competition from both domestic players as well as the established players in the overseas market. The shifts in consumption patterns can also have an adverse impact on the operations of the company.

Susceptibility of margins to raw material price fluctuation risk

The profitability of the company is susceptible to fluctuations in the prices of raw materials - cotton yarn and other consumables. The prices of cotton are highly dependent on agro-climatic conditions. The company's ability to avoid any significant deterioration in profitability levels amid volatility in prices of its key inputs will remain a key rating sensitivity in medium term.

Rating Sensitivities

- Ability to improve profitability while sustaining growth in operating revenue.
- Any elongation of the working capital cycle leading to deterioration in financial risk profile.

Liquidity Position Adequate

The company's liquidity position is adequate marked by generation of sufficient net cash accruals of Rs. 16.38 Cr. in FY2024 as against nil repayment obligations during the same tenure. In addition, it is expected to generate cash accrual in the range of Rs. 8.11 – Rs. 11.88 Cr. as against maturing repayment obligations in the range of Rs. 1.38 Cr- Rs. 2.40 Cr. over the medium term. The cash and bank balances of the company stood at Rs. 4.43 Cr. as on March 31, 2024. The current ratio stood comfortable at 1.55 times as on March 31, 2024. The working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 131 days as on 31st March 2024, further, the reliance on working capital limits remained high with average utilisation of fund-based limits at ~ 97.96% over the last six months ending May 2025. Going ahead, liquidity position of the company is expected to remain adequate on account of steady accruals against its repayment obligation.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 284.63 | 252.13 |
| PAT | Rs. Cr. | 12.03 | 10.20 |
| PAT Margin | (%) | 4.23 | 4.05 |
| Total Debt/Tangible Net Worth | Times | 0.79 | 0.97 |
| PBDIT/Interest | Times | 4.05 | 3.73 |

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|----------------------------------|------------|-----------------|--|
| 29 Mar 2024 | PC/PCFC | Short Term | 26.00 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | PC/PCFC | Short Term | 16.50 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | Bank Guarantee (BLR) | Short Term | 0.50 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | Cash Credit | Long Term | 13.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Proposed Long Term Bank Facility | Long Term | 24.20 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 7.80 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| 20 Jan 2023 | PC/PCFC | Short Term | 29.00 | ACUITE A3 (Reaffirmed) |
| | PC/PCFC | Short Term | 16.50 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 0.50 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 3.50 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 15.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 12.50 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 11.00 | ACUITE BBB- Stable (Reaffirmed) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|---|
| Union Bank of India | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.50 | Simple | ACUITE A3+ Reaffirmed |
| Union Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 13.00 | Simple | ACUITE BBB Negative Reaffirmed Stable to Negative |
| South Indian Bank | Not avl. / Not appl. | FBN/FBP/FBD/PSFC/FBE | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 5.00 | Simple | ACUITE A3+ Reaffirmed |
| Union Bank of India | Not avl. / Not appl. | PC/PCFC | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 25.00 | Simple | ACUITE A3+ Reaffirmed |
| South Indian Bank | Not avl. / Not appl. | PC/PCFC | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 9.00 | Simple | ACUITE A3+ Reaffirmed |
| Union Bank of India | Not avl. / Not appl. | Post Shipment Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1.00 | Simple | ACUITE A3+ Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 27.61 | Simple | ACUITE BBB Negative Reaffirmed Stable to Negative |
| Union Bank of India | Not avl. / Not appl. | Term Loan | 29 Sep 2022 | Not avl. / Not appl. | 25 Oct 2029 | 6.89 | Simple | ACUITE BBB Negative Reaffirmed Stable to Negative |

Contacts

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About Acuité Ratings & Research

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