

Advanced Clothing Concepts

March 28, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	25.61	CARE BB-; Stable	Assigned
Short-term bank facilities	0.39	CARE A4	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Advanced Clothing Concepts (ACC) are constrained by moderate scale of operations, leveraged capital structure, elongated operating cycle, presence in highly competitive and fragmented industry and capital withdrawal risk associated with partnership constitution of the firm. However, the ratings derive strength from extensive experience of the promoters in the textile industry and established clientele comprising renowned institutions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations to above Rs.100 crore with PBILDT margin above 6% on sustained basis.
- Improvement in net worth base and resultant overall gearing below 4x.

Negative factors

- Decline in income below Rs.50 crore with PBILDT margin below 4%.
- Drop in interest coverage below 1.5x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the firm is expected to sustain the growth in income backed by addition of new customers and repeated orders from existing customers on contractual basis.

Detailed description of key rating drivers

Key weaknesses

Moderate scale of operations

The scale of operations of ACC remained moderate, albeit improved over the years with operating income of Rs.35.28 crore in FY20 to Rs.69.28 crore in FY24 (refers to the period April 01 to March 31) with CAGR of 18.50% for past four years ended FY24. The income dropped by 51% in FY21 due to the impact of COVID-19, as business of the firm primarily reliant on schools and corporates. The firm has booked revenue of Rs.75.62 crore for 10MFY25 (refers to the period April 01 to January 31).

Leveraged capital structure

The capital structure of the firm stood weak, with overall gearing of 7.51x as on March 31, 2024 as against 8.65x as on March 31, 2023 due to reliance on bank borrowings with lower networth base. During FY25, the firm has availed project term loan of Rs.1.30 crore for addition of new unit and enhancement in working capital limits from Rs.10 crore to Rs.20 crore. However, 35% of total debt profile of the firm are in the form of interest-free unsecured loans from promoters. The unsecured loans from promoters stood at Rs.5.78 crore (PY: Rs.4.92 crore) as on March 31, 2024.

Elongated operating cycle

The operating cycle elongated from 44 days in FY20 to 133 days in FY24 due to higher inventory holding under 'Scribbles' brand. The off-season for the business would be between November to February, and the firm will start building inventory during off season to dispatch the uniforms before subsequent academic year. The firm supplies to customers on 60 days credit basis and enjoys 30-60 days credit from suppliers.

Presence in highly competitive and fragmented industry

The company operates in a highly competitive and fragmented market which consists of large and small and large sized players. Moreover, low entry barriers in the industry further intensifies the already prevailing competition in the market. This competitive and fragmented nature of the industry can have an impact on the profit margin of the company and may lead to adopt liberal credit policies in the market.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Capital withdrawal risk associated with partnership constitution of the firm

The partnership nature of the firm has inherent risk of withdrawal of capital by the partners at the time of their personal contingencies resulting in reduction of capital base leading to adverse effect on capital structure. The partners have withdrawn Rs.0.6 crore during FY24 as against Rs.0.53 crore during FY23.

Key strengths

Extensive experience of the promoters in the textile industry

The firm consists of three partners namely, Senthil Kumar (B.Tech., M.Sc.), Hariram Yeshwanth (M.S., M.Sc.) and Anitha Ramasamy (B.E., M.Sc.). All three partners have around 2 decades of experience in the industry. Senthil Kumar and Hariram Yeshwanth were engaged in the day-to-day activities of the firm.

Established clientele comprising renowned institutions

The firm operates under several trademark brands, including *Scribbles* for school uniforms, *Workaholic* for corporate workwear, *Solittle* for kids' wear, as well as *Yoka*, *Union*, *Anthem*, and *BTW*. The brand named 'Scribbles' forms the major contribution (~80%) to total revenue of the firm. Secondly Workaholic, which caters to ~160 corporate and non-corporate clients and very low contribution from others. Scribbles caters to ~160 schools in Tamil Nadu, Bangalore and Hyderabad which include reputed institutions like The Indian Public School (TIPS), Good Shepherd International School, United Public School, etc among others.

Liquidity: Stretched

The liquidity position of ACC is stretched with tightly matched accruals against repayment obligations. The firm has been sanctioned with working capital limit of Rs.20.00 crore and the average utilisation stood at 59% for the last 12 months period ended February 2025. The free cash balance stood moderate at Rs. 1.96 crore as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Garments & Apparels

ACC is a multi-dimensional clothing company established as proprietorship firm in 2007 by Senthil Kumar. It was then converted into partnership firm with three partners having experience of nearly 2 decades. The firm is engaged in garment manufacturing with wide range of fashion designed knitted and woven garments, with a primary focus on school and corporate uniforms. The firm has an installed capacity of ~350 sewing machines located at 6 units as on February 28, 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	January 31, 2025 (UA)
Total operating income	55.23	69.28	75.62
PBILDT	3.12	3.15	4.54
PAT	0.53	0.60	1.33
Overall gearing (times)	8.65	7.51	9.04
Interest coverage (times)	1.81	1.97	2.49

A: Audited; UA: Unaudited; Note: these are latest available financial results.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	June 2033	5.61	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.39	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	5.61	CARE BB-; Stable				
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BB-; Stable				
3	Non-fund-based - ST-Bank Guarantee	ST	0.39	CARE A4				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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