

## Cottage Industries Exposition Limited

March 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	53.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Cottage Industries Exposition Limited to monitor the rating(s) vide e-mail communications/ letters dated December 11, 2024; December 12, 2024, and December 16, 2024 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Cottage Industries Exposition Limited bank facilities will now be denoted as CARE B+; Stable/ CARE A4; ISSUER NOT COOPERATING\*.

### Users of this rating (including investors, lenders and the public at large are hence requested to exercise caution while using the above rating(s)).

The rating is constrained on account of modest scale of operations & profitability, weak debt service coverage indicators and elongated operating cycle. The rating is further constrained by fragmented and unorganized nature of carpet industry with increasing competition from China and inherent risks associated with export business. However, rating derives strength from experienced promoters coupled with long track record of operations and widespread distribution network.

### Analytical approach: Consolidated

CARE has adopted consolidated approach. The list of entities consolidated are as mentioned in Annexure-6. Consolidated approach is adopted since because all these entities, collectively referred to as the Cottage group, have business and financial linkages, and are under a common management.

### Outlook: Stable

**Detailed description of key rating drivers:** At the time of last rating on October 21, 2024, the following were the ratings weaknesses and strengths. [Updated for audited financials for FY24 (refers to the period April 01st to March 31st) received from company]

### Key Weaknesses

#### Modest scale of operations & profitability with weak debt service coverage indicators:

CIEL's scale of operations stood modest as evident from total operating income (TOI) of Rs.40.47 crore and gross cash accruals (GCA) of Rs. 0.02 crore, during FY24 (refers to the period April 01 to March 31) with low year on year (Y-o-Y) growth since the operations of the company impacted during Covid-19 time. The modest scale deprives it of the scale benefits. Profitability margins of the company also stood low with PBILDT & Profit after tax (PAT) margins of -3.36% & -4%, respectively during FY24. This was due to certain fixed operational expenses that the limited scale of operations could not adequately absorb. Further, the company has achieved total operating income of Rs.15.00 crore during 5MFY25 (refers to the period April 01 to August 31).

#### Weak debt service coverage indicators:

Owing to high debt levels and low profitability, the debt coverage indicators of the company remained weak, as marked by interest coverage ratio of -0.22x in FY24. However, company was able to meet in interest and debt obligations from non-operating income of around Rs. 8.00 crores which majorly consists of rental income and forfeiture of security deposit.

#### Fragmented and unorganized nature of carpet industry with increasing competition from China:

The Indian carpet industry is characterized by numerous small players and is concentrated in Northern part of India which contributes a significant portion of India's total carpet production. Furthermore, due to low technological inputs and low entry barriers, less capital intensive and easy availability of standardized machinery for production makes the hand knotted/tufted

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

carpet industry highly lucrative and thus competitive. CIEL however faces stiff competition from cheaper carpet imports from China in the same product segment.

#### **Inherent risks associated with exports:**

CIEL's operations are primarily focused on the exports which contributed around 57% of the total sales in FY24. However, the raw material is mainly procured from domestic markets. Any change in government policies, either domestic or international is likely to affect the company's revenues. Earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non- tariffs barriers (restriction on the quality of imports), anti- dumping duties, international freight rates and port charges.

#### **Elongated operating cycle**

The operating cycle of the company stood elongated at 818 days for FY24 primarily on account of high inventory period. The inventory holding period of the company stood elongated at 784 days in FY24 on account of diversified product portfolio which enables the company to maintain inventory at various stages, i.e., fabric and garments of all varieties, handicraft products and hand-woven carpets. Further, high inventory leads to risk of obsolescence due to rapid change in fashion trends which in turn leads to higher discounting adversely impacting the profitability. The working capital requirement is partially met through easy credit period available of 4-6 months from its suppliers. The operations of the company remain working capital intensive as the utilization of its working capital limit stood more than 70% for past twelve months ended January 2025. Furthermore, the company's ability to manage its inventory levels while sustaining growth in scale of operations will remain a key rating sensitivity.

#### **Key strengths**

##### **Experienced promoters coupled with long track record of operations:**

CIEL was incorporated in the year 1978 by Mr. Amir Mir & Ms. Tabasum Mir. Over the years of track record of operations, company has developed strong association with the suppliers as well as customers which has resulted in garnering repetitive orders.

##### **Widespread distribution network:**

CIEL sells its products through 32 outlets out of which 20 are self-owned, 12 stores are rented. The stores are spread at various locations in Goa, Chennai, Delhi, Punjab, Haryana, Jammu & Kashmir, Maharashtra, Pune and Rajasthan.

#### **Liquidity: Stretched**

The liquidity position of the company remained stretched as marked by more than 70% utilisation of working capital limits for the past 12 month's period ending January 2025. Further, the Quick ratio and Current ratio stood low at 0.42x and 1.49x respectively as on March 31, 2024, as compared to 0.48x and 1.50x respectively in the previous fiscal year. The company has projected modest cash accruals of around Rs 8.00 crores during FY25 as against scheduled loan repayment obligation of Rs 1.17 crores. The company has free cash & bank balances which stood at Rs. 1.93 crore as on March 31, 2024.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

#### **Applicable criteria**

[Consolidation](#)

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Retail](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Cottage Industries Exposition Limited (CIE) was incorporated in 1956 in July 1978. CIE Manages an extensive chain of up-market retail showrooms in India. They have retail in Home Décor, Kashmiri wool products, Decorative articles, Art & Sculpture, Furnishings, Silks & brocades, Furniture, Precious Jewellery, Fashion, Leather Products, Costume jewellery, Watches. They export

silk carpets and handicraft items. The company is presently operating 32 stores in all over India in Goa, - Chennai, Delhi, Mumbai etc . CIE also deals in branded products like Nike, Reebok, Lacoste, Benetton, Adidas to cater to the needs of international buyers.

Brief Financials – Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	5MFY25 (UA)
Total operating income	30.48	40.47	15.00
PBILDT	-5.16	-1.36	-
PAT	-5.01	-1.62	-
Overall gearing (times)	0.64	0.61	-
Interest coverage (times)	-0.97	-0.22	-

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 instrument / facility:** 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	2028	28.00	CARE B+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### 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-Cash Credit	LT	25.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (21-Oct-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	28.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (21-Oct-24)	-	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long 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

## Annexure-5: Lender details

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

## Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Cottage Industries Exposition (Mauritius) Limited	Full (100%)	Wholly Owned Subsidiary
2	Cottage Industries Exposition Overseas Services Trading Limited	Full (100%)	
3	SPA Legends Resorts Private Limited	Full (100%)	
4	Legends Resorts Private Limited	Full (100%)	
5	Allure Hotels and Resorts Private Limited	Proportionate (49.98%)	Subsidiary

**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](mailto:care@careedge.in) for clarifications.

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## About us:

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