

## Can Fashion Private Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	28.25	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B+; Stable
Long Term / Short Term Bank Facilities	6.75	CARE BB-; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and LT rating upgraded from CARE B+; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

The ratings previously assigned to the bank facilities of Can Fashion Private Limited (CFPL) were denoted as CARE B+; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING; Since, the company did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Limited (CARE Ratings) reviewed the ratings on the basis of the best available information. However, the company has now submitted the requisite information to monitor the ratings and CARE Ratings has carried out a full review of the ratings and the ratings stands at 'CARE BB-; Stable/ CARE A4.

### Rationale and key rating drivers

The upgrade in the long-term rating assigned to the bank facilities of CFPL factors in stable scale of operations coupled with comfortable capital structure. The ratings further derive strength from the comfortable operating cycle and experienced promoters. However, ratings are constrained on account of moderation in operating profitability margins and debt protection metrics and foreign exchange fluctuation risk. The ratings, further, remain constrained on account of highly fragmented and competitive nature of the industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained improvement in scale of operations of the company with growth in operation income to more than Rs 75.00 crores with improvement in PBILDT margin above 7.00% on sustained basis.
- Improvement in the capital structure of the company with overall gearing falling below 0.50x.

#### Negative factors

- Decline in scale of operations with TOI below Rs. 50 crores or deterioration in PBILDT margin below 4.50% on sustained basis.
- Any significant deterioration in the debt protection indicators of the company as marked by interest coverage ratio below 2.50x on sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook reflects that the company will continue to benefit from long-standing experience of the promoters in the industry.

### Detailed description of key rating drivers:

#### Key strengths

##### Stable operational performance

CFPL's scale of operations stood modest as marked by total operating income of Rs.69.90 crore and gross cash accruals of Rs.5.43 crore respectively, during FY24 (refers to the period April 01,2023 to March 31,2024) as against Rs.69.25 crore and Rs.4.25 crore respectively in FY23. Modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, the company has achieved total operating income of Rs.60.35 crore during 11MFY25 (refers to the period April 01,2024

<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.

to February 28, 2025). The profitability margins of the company stood moderate though declining for the past five fiscal years ending FY24. The profitability margins of the company moderated at 5.99% in FY24 as against 7.66% in FY23. Further, the PAT margin of the company improved to 5.41% in FY24 as against 4.35% in FY23 on account of increase in non-operating income. Further, the PBILDT margin is expected to remain in the range of 6.00-8.00% in FY25.

### **Comfortable operating cycle**

The operating cycle of the company stood comfortable at 27 days in FY24 as against 15 days in FY23. The moderation is on account of elongation in average inventory period. The company needs to stock an adequate quantity of raw materials due to manufacturing of wide range of apparels, leading to average inventory holding period of 28 days in FY24. Being in a highly competitive industry, the average collection period remains high at around 2-3 month leading to average collection period of 66 days in FY24. The company purchases raw materials from domestic market and receives an average credit period of 2-3 month resulting in average creditors' period of 66 days in FY24.

### **Experienced promoters:**

CFPL is a family run business and incorporated in 2011 by Vijay Bhatt and his wife Narvada Bhatt. Saurav Bhatt, Vijay Bhatt and Narvada Bhatt are presently, the directors of the company and they collectively look after the overall operations of the company. Vijay Bhatt is an ayurvedic doctor and have an experience of around two decades in the industry through association with this company and other associate entities. Saurav Bhatt is designer and looks after the operations of the company. Narvada Bhatt also looks after day-to-day operations of the company. The company is having a considerable track record in this business which has resulted in long term relationships with both suppliers and customers.

### **Key weaknesses**

#### **Moderate financial risk profile**

As on March 31, 2024, the debt profile of the company comprises of term loan to the tune of Rs 10.94 crores and working capital borrowings to the tune of Rs 7.80 crores against net worth base of Rs 23.27 crore. The capital structure of the company stood comfortable marked by overall gearing of 0.81x as on March 31, 2024, as against 0.31x as on March 31, 2023. The deterioration in overall gearing is owing to term loan taken for purchase of immovable property. Furthermore, on account of limited debt levels and moderate profitability levels, the debt coverage indicators of the company stood moderate as marked by interest coverage ratio and total debt to gross cash accrual stood moderate at 3.43x and 3.45x respectively in FY24 as against 9.99x and 1.44x respectively in FY23. The moderation is due to increase in interest and finance cost along with the total debt level.

#### **Foreign exchange fluctuation risk:**

The company is dependent upon exports and its export contribution to total operating income stood at around ~99% in FY24 (95% in FY23). With initial outlay in foreign currency and inflows in domestic currency, the company is exposed to volatility in foreign exchange rates. The raw materials are procured primarily from domestic market though 10-20% of the total raw materials requirement are met through import. However, being an importer and exporter, the foreign currency risk is partially mitigated through a natural hedge. Moreover, 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.

#### **Highly fragmented and competitive nature of industry**

The company operates in a textile manufacturing and processing industry which is highly fragmented industry with the presence of numerous independent small-scale enterprises leading to a high level of competition in the processing segment. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for production. This further leads to high competition among the various players and low bargaining power with suppliers. Further, the low lead time for setting up a new plant and the lack of product differentiation reduce the entry barriers for the new entrants resulting in overcapacity in the industry.

### **Liquidity: Stretched**

The liquidity position of the company remained stretched with the current ratio and quick ratio of the company at 1.15x and 0.92x respectively as on March 31, 2024. The high working capital requirements are largely met though bank borrowings and average utilization for last twelve months ended February 2025 stood at ~90%. The company has generated net cash accrual (NCA) of Rs. 5.43 crore during FY24 and is expected to generate NCA of Rs. 5.85 Crore in FY25, against repayment obligation of approx. Rs. 2.03 crore in the same year. The company has free cash and bank balance of Rs. 0.42 crores.

**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

Started in the year of 2011, CFPL is a leading organization of this domain dedicatedly engaged in Manufacturing and Exporting optimum grade of Ladies Garments and Kids Garments. They mainly export in countries like France, Belgium, German etc. Apart from this, they provide Sublimation Printing Service and Digital Printing Service to clients. Currently it is managed by three directors Saurav Bhatt who is a designer by profession, Narvada Bhatt and Vijay Ballabh Bhatt who is a doctor by profession. All three directors look after overall operations of the company. The company have currently 3 manufacturing facilities and 650 stitching machines with capacity of manufacturing 450000 pieces per year.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	69.25	69.90	60.35
PBILDT	5.30	4.18	-
PAT	3.01	3.78	-
Overall gearing (times)	0.31	0.81	-
Interest coverage (times)	9.99	3.44	-

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-Term Loan		-	-	October, 2028	16.25	CARE BB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	12.00	CARE BB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	6.75	CARE BB-; Stable / 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-Working Capital Limits	LT	12.00	CARE BB-; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (26-Dec-24)	1)CARE B+; Stable (18-Jan-24)	-	-
2	Fund-based - LT-Term Loan	LT	16.25	CARE BB-; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (26-Dec-24)	1)CARE B+; Stable (18-Jan-24)	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	6.75	CARE BB-; Stable / CARE A4	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (26-Dec-24)	1)CARE B+; Stable / CARE A4 (18-Jan-24)	-	-

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

LT: Long term; LT/ST: Long term/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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based/Non-fund-based-LT/ST	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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### About us:

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