

Chelsea Mills LLP

September 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.25	CARE BBB- (RWN)	Placed on Rating Watch with Negative Implications
Long Term / Short Term Bank Facilities	0.70	CARE BBB- / CARE A3 (RWN)	Placed on Rating Watch with Negative Implications
Short Term Bank Facilities	53.00	CARE A3 (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Chelsea Mills LLP (CMS) are placed under 'Credit Watch with Negative Implications' following the recent imposition of a 50% tariff by the United States of America (U.S.) Government on select imported goods, including textiles and apparels. CMS derives a significant portion of its revenue from exports, with the U.S. being a key contributor to its total operating income (TOI). The Credit Watch reflects uncertainty around the sustainability of current export volumes, possible margin pressures due to pricing renegotiations, and the evolving U.S. trade policy landscape. CARE Ratings Limited (CareEdge Ratings) will continue to monitor the developments and assess the impact on operational and financial performance of the company once more clarity emerges on the same.

The reaffirmation in the ratings assigned to the bank facilities of CMS continue to derive strength from the experienced and resourceful partners coupled with long track record of operations of the entity, average financial risk profile marked by moderate capital structure and debt coverage metrics. The ratings also draw comfort from the adequate liquidity position marked by positive cash flow from operations and limited reliance on external sources to manage its working capital requirements. The ratings further continue to factor in established relationships with reputed global garment brands albeit customer concentration risk. However, the ratings strengths are partially offset by moderation in the operational performance during FY24 (refers to April 01 to March 31) driven by global factors on subdued demand and resultant elongation in operating cycle. The ratings remain constrained on account of highly fragmented nature of industry coupled with intense competition and susceptibility of margins to fluctuations in raw material prices & foreign exchange rates. The ratings also take cognizance of the improvement in the operational performance during 9MFY25 (refers to April 01 to December 31) driven by slight recovery in the global demand along with addition of new clients to its clientele.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations as marked by TOI of above Rs. 200 crores on sustained basis along with PBILDT (Profit Before Interest, Lease, Depreciation, and Tax) margin over 15% on sustained basis.
- Sustained improvement in operating cycle of the firm below 200 days.

Negative factors

- Total Debt/ PBILDT above 5.50x on sustained basis.
- Elongation in operating cycle above 260 days on sustained basis.

Analytical approach: Standalone

Outlook: Not Applicable

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

Detailed description of key rating drivers:**Key strengths**

Experienced and resourceful partners coupled with long track record of operations of the entity: CMS was established in 1978 as a proprietorship firm by Mohinder Kumar Jain (MK Jain). In March 2016, CMS was converted into Limited Liability Partnership (LLP) with MK Jain and his wife Neeru Jain holding 60% and 40% of ownership respectively. MK Jain has more than three decades of experience in garments manufacturing business. CMS exports its products to leading international fashion houses and retail chains, predominantly in USA, UK, and Japan. MK Jain is assisted by his son Rishabh Jain who is looking after marketing and production function of the firm. MK Jain is also assisted by a team of qualified professionals having vast experience in the same line of business. Furthermore, promoters are resourceful and has shown ability to infuse funds in the business as and when required in the form of unsecured loans having outstanding of Rs 11.64 crores as on March 31, 2024.

Average Financial Risk profile: The capital structure of the firm remains moderate as marked by the overall gearing of 1.46x as on March 31, 2024. The debt coverage indicators also remain moderate as marked by Interest coverage and Total Debt/ Gross Cash Accruals (TDGCA) of 2.87x and 7.87x respectively. Going forward, in absence of any debt funded capex and no planned enhancement in working capital limits, CARE expects firm to maintain its average financial risk profile over medium term.

Established relationships with reputed global garment brands albeit customer concentration risk: Over the period, CMS has developed strong relationship with its customers and is getting repeat orders from various clients. The customer base of the firm includes reputed overseas players like GAP Inc, Lucy and Yak among others. The firm has over three decades of relationship with some of these clients. Moreover, the entry barriers in the organized sector are high, thus providing CMS with a competitive edge over other players. However, although firm is dealing with some reputed garment brands there is customer concentration risk as firms' total revenue from operations comprises ~84% from GAP and Lucy and Yak during FY24 followed by low bargaining power of firm with these reputed brands. Therefore, any changes in procurement policies and growth prospects of buyers will directly impacts prospect and profitability of firm.

Key weaknesses

Elongated operating cycle: The operating cycle of the firm continues to remain elongated as marked by operating cycle of 245 days in FY24 (refers to April 01 to March 31) as against 153 days in FY23. This was majorly on account of higher debtors' days and high inventory period. The inventory days usually remains high due to processing time involved on account of extensive production process of the firm to manufacture high quality apparels as per the design and specification of the clients. Furthermore, the inventory days usually remains high due to processing time involved on account of extensive production process of the firm to manufacture high quality apparels as per the design and specification of the clients. The total debtors outstanding as on March 31, 2024, stood at Rs. 29.51 crore which includes Rs. 28.06 crores outstanding from one party which were on due to large value export shipments. Majority of the shipments of the firm are done during January- March and payment of these are due from April (considering credit period of 90 days).

Moderation in operational performance due to downtrend in the industry: The scale of operations of the firm moderated during FY24 driven by subdued demand scenario driven by global factors caused by global unrest, significantly impacting the firm's exports which declined from 93% of Total Operating Income to 82% for FY24. The firm booked sales of Rs. 81.56 crore for 9MFY25 (refers to April 01 to December 31).

The profitability margins of the firm stood moderate as marked by PBILDT and PAT (Profit After Tax) margins of 11.35% and 2.50% respectively during FY24 (PY: 9.48% and 4.72%). The PBILDT margin during the year improved due to decrease in manufacturing costs (attributing to decrease in sales) and employee cost. However, the PAT margin moderated owing to increase in depreciation (attributing to addition in gross block). The profitability margin is expected to see a slight improvement, attributed to better operational performance driven by industry improvements.

Susceptibility of margins to fluctuations in raw material prices and foreign exchange fluctuation risk: The presence of the firm in a highly competitive and fragmented industry coupled with low bargaining power with reputed buyers, limits its ability to pass on any increase to the customers completely. Thus, any adverse volatility in the prices of the same has bearing on the profitability of the firm. Further, the margins of the firm are exposed to a significant foreign exchange fluctuation, as during FY24, the firm earned most of the total operating income from exports which was ~82% (PY: 93%). Although, firm procures through packing credit facilities of lenders, the complete exposure of the firm is not hedged making the margins susceptible to any adverse fluctuation in the foreign exchange prices for unhedged portion. Hence, the firm also relies on forward contracts

against exports. The firm monitor their foreign exchange risk on day-to-day basis in consultation with third party consultation firms.

Presence in a fragmented and cyclical textile processing industry: The Indian textile industry is highly fragmented in nature with presence of large number of organized as well as unorganized players. Moreover, due to the fragmented nature of the fabric industry, the bargaining power of fabric manufacturers with raw material suppliers and customers are restricted which is also reflected in the low profit margins across the industry. Further, any adverse changes in the global economic outlook as well as demand-supply scenario in the domestic market directly impacts demand of the textile industry.

Liquidity: Adequate

The liquidity position of the firm stood adequate as marked by sufficient cushion in cash accruals against the repayment obligations. Further, the firm has cash, bank balance, and liquid investments of Rs. 2.26 crore as on December 31, 2024. The firm reported cash flow from operations of Rs. 18.36 crore during FY24. The current and quick ratio stood at a moderate level of 1.35x and 0.68x, as on March 31, 2024. The firm's working capital utilisation remains moderate as reflected by average working capital utilisation of ~60% during last 12 months ending August 2025.

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 firm and industry

Industry classification

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

CMS was established as a proprietorship firm in April 1978 by Mohinder Kumar Jain. It was converted into Limited Liability Partnership (LLP) firm in March 2016. The firm is engaged in the manufacturing and export of garments for men, women, and kid's segment. The main products are dresses, jeans, jackets, shirts, and kids wear. CMS is government recognized star export house selling its products to clients spread in more than 35 countries. Major export destinations include United States of America (USA), United Kingdom (UK) and Japan. The firm has two manufacturing facilities situated in Gurugram, Haryana.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	160.79	108.04	81.56
PBILDT	15.24	12.26	NA
PAT	7.59	2.70	NA
Overall gearing (times)	1.45	1.46	NA
Interest coverage (times)	2.81	2.87	NA

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	-	-	-	April 2026	4.25	CARE BBB- (RWN)
Fund-based - ST-Bill Discounting/ Bills Purchasing	-	-	-	-	28.00	CARE A3 (RWN)
Fund-based - ST-EPC/PSC	-	-	-	-	20.00	CARE A3 (RWN)
Fund-based - ST-PC/Bill Discounting	-	-	-	-	5.00	CARE A3 (RWN)
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	0.70	CARE BBB- / CARE A3 (RWN)

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 2025-2026	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
1	Fund-based - ST-EPC/PSC	ST	20.00	CARE A3 (RWN)	-	1)CARE A3 (25-Feb-25)	1)CARE A3 (20-Feb-24)	1)CARE A3 (08-Mar-23)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	28.00	CARE A3 (RWN)	-	1)CARE A3 (25-Feb-25)	1)CARE A3 (20-Feb-24)	1)CARE A3 (08-Mar-23)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	0.70	CARE BBB- / CARE A3 (RWN)	-	1)CARE BBB-; Stable / CARE A3 (25-Feb-25)	1)CARE BBB-; Stable / CARE A3 (20-Feb-24)	1)CARE BBB-; Stable / CARE A3 (08-Mar-23)
4	Fund-based - LT-Term Loan	LT	4.25	CARE BBB- (RWN)	-	1)CARE BBB-; Stable (25-Feb-25)	1)CARE BBB-; Stable (20-Feb-24)	1)CARE BBB-; Stable (08-Mar-23)
5	Fund-based - ST-PC/Bill Discounting	ST	5.00	CARE A3 (RWN)	-	1)CARE A3 (25-Feb-25)	1)CARE A3 (20-Feb-24)	-

LT: Long term; ST: Short 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 - ST-Bill Discounting/ Bills Purchasing	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Fund-based - ST-PC/Bill Discounting	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Puneet Kansal Director CARE Ratings Limited Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in</p> <p>Rajan Sukhija Associate Director CARE Ratings Limited Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in</p> <p>Kritika Goyal Analyst CARE Ratings Limited E-mail: kritika.goyal@careedge.in</p>
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