

## Libas Consumer Products Limited (Formerly Libas Designs Limited)

December 27, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	13.01	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>13.01 (Rs. Thirteen Crore and One Lakhs Only)</b>		

Details of facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 22, 2020, placed the rating(s) of Libas Consumer Products Limited (formerly Libas Designs Limited) under the 'issuer not-cooperating' category as LCPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. LCPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated November 17, 2021, November 21, 2021, November 22, 2021 and November 27, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***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 revision in rating factors in non-cooperation by LCPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.*

### Detailed description of the key rating drivers

*At the time of last rating on December 18, 2020 the following were the rating strengths and weaknesses (updated for the information available from National Stock Exchange):*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Increase in ToI, albeit loss at PBT level in FY21

During FY21, LCPL's total operating income has marginally improved by 3.53% to Rs.35.86 crore (vis-à-vis Rs.34.64 crore in FY20). During H1FY22 (refers to the period April 1, 2021 to September 30, 2021), the company has recorded ToI of Rs.16.06 crore (vis-à-vis Rs.10.98 crore in H1FY21) Furthermore, the scale of operations continues to be modest with negative GCA of Rs.0.01 crore and moderate networth base of Rs.30.20 crore as on March 31, 2021 (vis-à-vis 31.83 crore as on March 31, 2020) which limits its financial flexibility to meet any exigency and depriving it from benefits of economies of scale.

#### Improved PBILDT margin; albeit weak debt coverage indicators

During FY21, the PBILDT margins of the company has increased from 12.73% in FY20 to 18.57% in FY21 primarily on account of decrease in employee cost and cost of raw material consumed in FY21. The cost of sales as a proportion of ToI also decreased from 87.26% in FY20 to 81.42% in FY21. However, the company has recorded loss at PBT level of Rs.1.41 crore (vis-à-vis profit of Rs.0.42 crore in FY20) owing to increase in Interest expenses in FY21. In addition to above, the company has incurred extra-ordinary expenses of Rs.4.31 crore in FY21 which led to loss at PBT level in FY21. The exceptional loss of Rs.4.31 crore primarily pertains to deterioration in the value of inventories stored in the shops worth of Rs.4.31 crore. Further, during H1FY22, the company has achieved PAT of Rs.4.54 crore (vis-à-vis net loss of Rs.4.56 crore in H1FY21). On account of the same, the debt coverage indicators have deteriorated in FY21 with total debt to GCA stood at 1407 times (vis-à-vis 8.77 times in FY20). However, the interest coverage improved to 2.83 times (vis-à-vis 1.96 times in FY20) primarily on account of high level of GCA of Rs.6.66 crore in FY21 (vis-à-vis Rs.4.41 crore in FY20).

#### Highly working capital intensive nature of operations

During FY21, the working capital cycle of LCPL has remained highly elongated due to high amount of funds blocked in inventory and debtors. The inventory period remained significantly higher at 276 days as on March 31, 2021 (vis-à-vis 280 days as on March 31, 2020) owing to higher raw material kept for processing and also high finished goods inventory kept at showrooms. Further, the collection period also remained high at 162 days as March 31, 2021 (vis-à-vis 154 days as on March 31, 2020). Further, the creditors' period has deteriorated from 38 days as on March 31, 2020 to 59 days as on March 31, 2021. Furthermore, the operating cycle elongated to 379 days in FY21 (as compared to 396 days in FY20) due to liberal credit period extended to its customer to maintain long-term business relationship.

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

### Susceptibility of profit margins on account of volatile raw material prices

The company's raw material prices have been fluctuating and therefore the cost base remains exposed to any adverse fluctuations in the prices of key raw materials.

### Presence in competitive and fragmented industry

LCPL is into cloth designing for various occasions such as marriage, birth-day, festivals season on behalf of various well-established brands players which are dominated by numerous independent players which lead to high degree of fragmentation resulting into high level of competition in the segment. Due to high competition in the industry, the players in the industry do not have bargaining power with their customers and hence, players in this industry are operating at relatively low margins.

### Key Rating Strengths

**Experienced partners and reputed clientele base:** During 1990, Mr. Nishant Mahimtura promoted Libas Fashions as a partnership firm and in 2004 it was incorporated as a private limited company with the name of Libas Designs Private Limited (LDL). Mr. Nishant Mahimtura is acting as Chairman & Managing Director and has around 35 years of experience in the customized garments looks after finance function and Mr. Riyaz Ganji is a Director, has around 22 years of experience and looked after marketing function of the company. LDL is into manufacturing of customized & readymade designer garments. It has customer base of well-known film personalities and television actors/actresses.

**Established brand name, product variants and tie-up with ecommerce firms:** LDL market its products under the brand name of Libas, Libas Riyaz Ganji, Libas Reshma Ganji and KNG Riyaz Gangji and it is a well-established fashion designer brand name of around 22 years in Mumbai. Furthermore, it has tie-up with more than 80 Indian & International designers and have inventory of more than 5000 designers wears to choose. LCPL has also tie-up with e-commerce portals.

### Comfortable capital structure

During FY21, the capital structure remained comfortable with overall gearing stood at 0.69x as on March 31, 2021 (vis-à-vis 0.58x as on March 31, 2020) primarily on account of moderate reliance on debt.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Manufacturing Companies](#)

### About the Company

Libas Consumer Products Limited (formerly Libas Designs Limited) (LCPL) established in 2004 as a private limited company by Mr. Nishant Mahimtura & Mr. Riyaz Ganji. LDL is a Mumbai based company engaged in manufacturing of customized designer garment and has its plant situated in Kurla (West), Mumbai admeasuring 11,900 sq. feet and employ around 57 workers. LCPL sells its products under the brand name of LIBAS, LIBAS RIYAZ GANGJI, LIBAS RESHMA GANGJI and KNG Riyaz Gangji. The company specializes in contemporary and ethnic men's and women's wear and its offering includes made to orders Sherwanis, light range of Indo-Westerns Kurtas, designer wedding suits, fine men's business suits, formal shirts and trousers. The company is listed on National Stock Exchange (NSE) with market capitalization at Rs.51.15 crore and current share prices at Rs.28.50 as on December 21, 2021.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	34.64	35.86	16.06
PBILD	4.41	6.66	4.80
PAT	0.34	-1.38	1.69
Overall gearing (times)	0.58	0.69	NA
Interest coverage (times)	1.96	2.83	NA

A: Audited; UA - Unaudited

**Current year's performance** – During H1FY22 (refers to the period April 1, 2021 to September 30, 2021) the company has recorded ToI of Rs.16.06 crore

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.01	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	13.00	CARE B; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of last three years**

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	0.01	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE BB+; Stable (07-Feb-19)
2	Fund-based - LT-Cash Credit	LT	13.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Nov-19)	1)CARE BB+; Stable (07-Feb-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable**

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure 5: Bank Lender Details for this Company**

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

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

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### About CARE Ratings Limited:

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