

Active Clothing Company Limited

September 30, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	69.41	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.80	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	70.21 (₹ Seventy Crore and Twenty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated July 07, 2021, placed the rating of Active Clothing Company Limited (ACCL) under the 'issuer non-cooperating' category as ACCL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. ACCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated May 23, 2022, June 02, 2022, June 12, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. 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.

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

Detailed description of the key rating drivers

Key Rating Weaknesses

Risks pertaining to the highly fragmented and competitive industry

The readymade garment industry in India is characterized by the presence of a large number of small and big players in the organized sector as well as unorganized sector which leads to a highly fragmented industry structure having a high level of competition and intense pricing pressures. The industry, in general, remains cyclical in nature.

Declining Scale of operations

The scale of operations of the company improved and stood Rs.115.22 crores in FY22 against total income of Rs. 73.18 cr in FY21.

Customer concentration risk

In FY19, top five customers contributed ~40% of the net sales while ACCL's top customer, Levis Strauss India Private Limited contributed ~23% of the net sales during the year. This exposes the revenue profile of ACCL to a customer concentration risk. Any change in procurement policy of these customers may adversely impact the business of the company. However CARE does not have latest details on the same.

Elongated operating cycle

The operating cycle of the company remained elongated at 259 days as on March 31, 2022 (PY: 434 days) mainly on account of the stretched inventory holding period and collection period.

²Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced promoters

Mr Rajesh Mehra, the current Managing Director of ACCL, holds an industry experience of nearly three decades. The other director of the company, Mrs Renu Mehra (wife of Mr Rajesh Mehra) also holds an industry experience of around two and a half decades.

Diverse selling channels and established business relationships with reputed customers

ACCL has been engaged in the textile industry for around two decades which has led to established business relationships with the customers as well as the suppliers. In the manufacturing segment, which constituted ~52% of the net sales in FY19, the client base of the company includes reputed entities like Levi'S, Pepe, United Colors of Benetton etc. Trading of garments is done through the distribution and retail channels. The company operates as a distributor for brands like Levi'S, Flying Machine, Celios, etc. selling primarily to Multi Brand Outlets (MBOs) spread across North India. This segment constituted ~45% of the net sales in FY19. The direct retail sales are made through two rented MBOs both in Punjab (constituting ~3% of the net sales in FY19). Further, the company has also set up its own brand 'AAGAIN' in 2012. Sales under this brand formed ~7% of the net sales in FY19. However CARE does not have latest update on the same.

Satisfactory overall solvency position

The capital structure of the company stood at a satisfactory level with the long-term debt to equity ratio and overall gearing ratio at 0.48x and 0.97x respectively, as on March 31, 2022. The debt coverage indicators of the company viz. the total debt to GCA and interest coverage ratio stood at 15.39x as on March 31, 2022 and 1.70x in FY22 respectively

Diversified product profile, high level of operational integration & favourable location of operations

ACCL procures various types of yarns as well as a part of its requirement for knitted cloth from domestic suppliers. Barring this, all the activities for all the other products are done in-house. The manufacturing facilities are equipped with in-house facilities for designing, Research & Development, knitting, printing, finishing, stitching, cutting, labelling, packing, dry-cleaning and washing. The product profile of the company in the manufacturing segment mainly includes T-shirts, shoe uppers and winter wear like sweaters, sweat shirts, jackets etc., catering to men, women and kids segments. In the distribution and retail segment, however, the company is selling the entire product range of the brands being catered to including T-shirts, sweaters, jeans, lowers, etc. The company's manufacturing facilities are based in Mohali and Fatehgarh Sahib, both in Punjab, which is in close proximity to the textile hubs like Ludhiana. The company therefore operates at a close proximity to the raw material suppliers.

Liquidity position-Adequate

The company had free cash and bank balances of Rs.4.26 Cr. as on March 31, 2022. The current and quick ratio of the company stood at a moderate level at 1.83x and 0.84x respectively, as on March 31, 2022.

Analytical approach:

Standalone.

Applicable Criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Cotton Textile](#)

About the Company

ACCL was initially established as a partnership concern, Active Clothing Co. in 1997, and subsequently reconstituted as a private limited company in 2002. In March-2018, the company successfully completed its IPO and was reconstituted as Active Clothing Co. Limited (ACCL). The company successfully completed its Initial Public Offering (IPO) in March-2018. The company was initially engaged in the distribution of garments. In 2008, however, the company also started manufacturing of garments. Presently, the company is engaged in the manufacturing and trading of readymade garments (trading constituted ~48% of the net sales in FY18) for several brands names including Levi' S, Pepe, Flying Machine, Ed Hardy, Nike, United Colors of Benetton etc. Trading is further done through the distribution and retail channels. The company operates from its two manufacturing facilities, one each in Mohali and Fatehgarh Sahib (both in Punjab).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	5MFY23*
Total operating income	73.18	115.22	NA
PBILDT	10.47	9.44	NA
PAT	0.06	0.53	NA
Overall gearing (times)	0.94	0.97	NA
Interest coverage (times)	1.52	1.70	NA

A: Audited; NA: Not Available

*refers to the period from April 1, 2022 to August 31, 2022.

Status of non-cooperation with previous CRA: Not Applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	January 2023	30.41	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	39.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	0.80	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	30.41	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (07-Jul-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (04-May-20)	1)CARE BBB-; Stable (25-Jun-19)
2	Fund-based - LT-Working Capital Limits	LT	39.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (07-Jul-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (04-May-20)	1)CARE BBB-; Stable (25-Jun-19)
3	Non-fund-based - ST-BG/LC	ST	0.80	CARE A4; ISSUER NOT	-	1)CARE A4; ISSUER NOT	1)CARE A4+; ISSUER NOT	1)CARE A3

				COOPERATIN G*		COOPERATIN G* (07-Jul-21)	COOPERATIN G* (04-May-20)	(25-Jun- 19)
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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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	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 us:

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