

Cantabil Retail India Limited

March 27, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	42.00	CARE BBB; Stable [Triple B; Outlook: Stable]	Assigned
Short-term Bank Facilities	13.00	CARE A3+ [A Three Plus]	Assigned
Total Facilities	55.00 (Rs. Fifty five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Cantabil Retail India Limited (CRIL) factors in the promoters experience with long track record of operations in the industry, established brand name i.e. “Cantabil” with strong presence in India and comfortable financial risk profile. The ratings are, however, constrained on account of working capital intensive nature of operations, moderate scale of operations and intense competition in the industry.

Going forward, the company’s ability to increase its scale of operations and improve profitability margins while maintaining its capital structure shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and long track record of operations: Cantabil Retail India Limited (CRIL) is promoted and managed by Mr. Vijay Bansal who has around 28 years of experience in the apparel industry. Mr. Vijay Bansal, Chairman & Managing Director of the company is further assisted by Mr. Deepak Bansal and Mr. Basant Goyal. Mr. Deepak Bansal has around 13 years of experience in the industry and looks after the marketing and advertisement division of the business. Mr. Basant Goyal looks after production, HR and Administration function of the company. The promoters of the company are supported by experienced professionals.

Established brand name with strong presence across India: CRIL launched “Cantabil” as a brand in 2000. It has established itself as a well-known brand in India especially in the northern region. Cantabil brand offers a complete range of formal-wear, party-wear, casuals & ultracausal clothing for men and women in the middle to high income group. Further, the company has established strong presence across India and operates around 180 retail stores (owned and franchise) at various locations.

Comfortable financial risk profile: The financial risk profile of CRIL remained comfortable marked by growing scale of operations, improved profitability and comfortable capital structure. The total operating income of the company has increased at a CAGR of 5% over the past three years to Rs. 161.19 cr in FY17. This is majorly on account of increase in sales volume on account of opening of new stores as well as per unit price. Further, with increase in turnover the operating profitability of the company has also improved as reflected by PBILDT margin of 12.01 % in FY17 as against 10.45% in FY16. This is majorly on account of better absorption of fixed cost as most of its stores have achieved breakeven. During 9MFY18, CRIL reported a turnover of Rs.140.66 cr with PBILDT margins of 12.21% and PAT margin of 4.02%.

The overall gearing of CRIL remained low at 0.49x (PY: 0.44x) as on 31st March 2017. Further, other debt coverage indicators marked by TDGCA and interest coverage ratio remained moderate at 3.17 years (PY: 3.14 years) and 3.46 times (PY: 3.26 times) respectively during FY17. The improvement in interest coverage ratio despite higher interest expenses was on account of better profit margins earned during the year.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Weaknesses

Working capital intensive nature of operations: The company's operations are working capital intensive as evidenced by operating cycle of 166 days (PY: 154 days) in FY17 primarily owing to high inventory holding period. Since the company operates retail stores also it need to keep a large amount of inventory in the stores as finished goods. Further, the company avails a credit period of 60-90 day on supplies and 60 days on fabric from its suppliers.

CRIL mainly sells through its retail outlets. Approx. 80% of CRIL's sales are to retail customers and sales proceeds are realized immediately. Remaining 20% of sales are through franchisees with which revenue realization takes time of around 60 days. Thus, on an average the collection period is around 20-30 days.

Moderate scale of operations: Despite long track record of operations of about 29 years and increasing operating income levels, the scale of the company continues to remain moderate with total operating income of Rs. 161.19 cr during FY17. The net worth of CRIL stood moderate at Rs.82.05 cr as on March 31, 2017 owing to losses generated by the company between FY12- FY14.

Intense competition: Textile industry is highly competitive and cyclical in nature having few large players and several unorganized regional players. Though Indian apparel industry provides strong opportunity to grow, it is highly competitive marked by presence of some of the large corporate groups. Moreover, growth of the Indian apparel sector is closely linked to the growth of the economy and hence any downturn in economic environment may also slow down the demand for branded apparel in light of discretionary nature of spending on these products.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Cantabil Retail India Limited (CRIL) was incorporated in Feb, 1989 by Mr. Vijay Bansal. CRIL is engaged in the business of designing, manufacturing, branding and retailing of apparels under the brand name of "Cantabil"; 'Crozo' and 'Kaneston'.

The Company started its garments manufacturing and retailing business in 1989 as Kapish Products Pvt. Ltd. and thereafter he launched Cantabil brand and opened its first Cantabil store in September, 2000 in New Delhi. Cantabil brand offers the complete range of formal-wear, party-wear, casuals & ultracausal clothing for Men and Women.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	155.28	161.19
PBILDT	16.23	19.35
PAT	5.07	4.88
Overall gearing (times)	0.44	0.49
Interest coverage (times)	3.26	3.46

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	32.76	CARE BBB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	10.00	CARE A3+
Term Loan-Long Term	-	-	Jan 2028	9.24	CARE BBB; Stable
Non-fund-based - ST-Letter of credit	-	-	-	3.00	CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	32.76	CARE BBB; Stable	-	-	-	-
2.	Fund-based - ST-Bank Overdraft	ST	10.00	CARE A3+	-	-	-	-
3.	Term Loan-Long Term	LT	9.24	CARE BBB; Stable	-	-	-	-
4.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A3+	-	-	-	-

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