

JULY 11, 2014

CARE ASSIGNS 'CARE A- (SO)' RATINGS TO THE BANK FACILITIES OF EBELL FASHIONS PVT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	6.0	CARE A- (SO)* [Single A minus (Structured Obligation)]	Assigned
Total Facilities	6.0		

*based on credit enhancement in the form of unconditional and irrevocable guarantee of Todi Hosiery Ltd. (THL; rated CARE A-).

Rating Rationale

The aforesaid rating is primarily based on the credit enhancement in the form of unconditional and irrevocable guarantee of Todi Hosiery Ltd (THL; rated CARE A-) for the entire debt servicing obligation (ie payment of interest and/or other charges and principal repayment) during the full tenure of the facilities.

The rating of THL derives strength from the long track record and rich experience of the promoters, regular infusion of capital by the promoters, LUX group's integrated nature of operations and established presence in the hosiery industry with strong brand image, wide product range and established selling and marketing arrangements. The rating further derives strength from the improving financial performance along with satisfactory liquidity profile and debt-coverage metrics. The rating is, however, constrained by the working capital intensive nature of operations, volatility in the prices of raw materials and intense competition. Ability of the company to improve its profitability while maintaining adequate capital structure would be the key rating sensitivity.

CARE has taken a combined view on Lux Industries Ltd, Todi Hosiery Ltd. and Ebel Fashions Pvt Ltd to arrive at the ratings, as the three companies are under the same management, share a common marketing and advertisement network and have common suppliers.

Background

Ebell Fashions Pvt Ltd (EFPL) was originally incorporated as Ebell Polymers Pvt Ltd in June 1997 and subsequently its name was changed to its present name in May, 2013, post takeover by the present management in 2005. EFPL is part of the LUX group and is engaged in the manufacturing of ready-made garments for children & leggings for women under the brand names "Mookie" and "Lux Lyra".

The flagship company of the LUX group, Lux Industries Ltd. (LIL; rated CARE A/CARE A1), is also engaged in the manufacturing of hosiery undergarments. Other major company of the group engaged in a similar line of business is THL. The company earned PAT of Rs.0.4 crore on a total income of Rs.23 crore in FY14 (Provisional; refers to the period April 1 to March 31) as compared to a PAT of Rs.0.5 crore on a total income of Rs.26 crore in FY13 (audited).

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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.

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

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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