

Rating Advisory

April 30, 2020 | Mumbai

Celebrity Fashions Limited

Advisory as on April 30, 2020

This rating advisory is provided in relation to the rating of Celebrity Fashions Limited

The key rating sensitivity factors for the rating include:

- Operating profitability and scale of operations
- Debt funded capex plans
- Timely sale of assets

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Celebrity Fashions Limited (CFL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If CFL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

Incorporated as a private limited company in 1988 and later reconstituted as a public limited company in 2005, CFL is primarily engaged in manufacture and exports of woven cotton garments for men and women.

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Rating Rationale

March 19, 2019 | Mumbai

Celebrity Fashions Limited

Long-term rating upgraded to 'CRISIL B+/Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.93.51 Crore
Long Term Rating	CRISIL B+/Stable (Upgraded from 'CRISIL B-/Stable')
Short Term Rating	CRISIL A4 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facility of Celebrity Fashions Limited (CFL) to '**CRISIL B+/Stable**' from '**CRISIL B-/Stable**' while reaffirming the short-term rating at '**CRISIL A4**'.

The upgrade reflects CRISIL's belief that CFL's business risk profile will improve over the medium term aided by improving orders resulting in better utilization of its facilities. Operating income increased to Rs.145.5 crore during nine month fiscal 2019, a 14.5% increase over the corresponding previous period on account of addition in customers and higher repeat orders from existing customers. With scaling up of operations, the operating profitability was at 8.7% during nine month fiscal 2019 (while it was 1.3% during previous corresponding period). CRISIL believes, the company's operating performance to improve further over the medium term, resulting in an improvement in accretions to reserves. However, the financial risk profile will remain weak, on account of past losses resulting in leveraged capital structure.

CRISIL's rating on the bank facilities of CFL reflect below-average financial risk profile and presence in a highly fragmented industry. These rating weaknesses are partially mitigated by CFL's moderate scale of operations & improving operating performance and established client relationships.

Key Rating Drivers & Detailed Description

Weakness

* **Below-average financial risk profile:** CFL's financial risk profile is constrained by negative net worth of Rs 10.5 crore resulting in weak gearing as on 31 March, 2018. Interest coverage was average at 1.89 times for fiscal 2018.

* **Presence in a highly fragmented industry:** Intense competition, mainly from unorganised players in India and from entities in Bangladesh and Southeast Asia, continues to constrain business risk profile.

Strength

* **Improving operating margins:** Margins have improved to 8.7% during the nine month fiscal 2019, as compared to previous corresponding period's margins of 1.3%. Higher utilization of its facilities is resulting in better fixed cost absorption leading to higher margins.

* **Moderate scale of operations and established relations with customers:** The revenue of the company is moderate at about Rs 203.5 crore for fiscal 2018. Further, it is expected to improve in fiscal 2019, on account of established relations with customers resulting in repeat and steady orders.

Liquidity

Cash accrual is expected at Rs 8-9 crore over the medium term, as against yearly maturing debt of Rs 2.6 crore during the corresponding period. Utilisation of packing credit limit of Rs 30 crore averaged 84.1% in the 8 months through January 2019. Cash and cash equivalents were Rs 2.23 crore as on March 31, 2018, and should remain moderate over the medium term.

Outlook: Stable

CRISIL believes CFL's credit risk profile will remain constrained over medium term on account of its weak financial risk profile. The outlook may be revised to 'Positive' if CFL's cash accruals improve mainly because of higher-than-expected operating profitability leading to improvement financial risk profile. Conversely, the outlook may be revised to 'Negative' in case decline in profitability or stretch in working capital management leads to deterioration of the financial risk profile.

About the Company

Incorporated as a private limited company in 1988 and later reconstituted as a public limited company in 2005, CFL is primarily engaged in manufacture and exports of woven cotton garments for men and women.

The company is listed on National Stock Exchange and BSE Ltd.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs.Cr	203.54	192.2
Profit After Tax (PAT)	Rs.Cr	-1.30	-13.4
PAT Margins	%	-0.64	-7.0
Adjusted Debt/Adjusted Networth	Times	-9.37	-7.6
Interest coverage	Times	1.89	1.3

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	0.25	CRISIL A4
NA	Export Packing Credit	NA	NA	NA	30	CRISIL B+/Stable
NA	Foreign Bill Discounting	NA	NA	NA	21	CRISIL B+/Stable
NA	Funded Interest Term Loan	NA	NA	Mar-2021	17.35	CRISIL B+/Stable
NA	Letter of Credit	NA	NA	NA	6.25	CRISIL A4
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	13.45	CRISIL B+/Stable
NA	Working Capital Term Loan	NA	NA	Mar-2021	5.21	CRISIL B+/Stable

Annexure - Rating History for last 3 Years

	Current			2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/S T	87.01	CRISIL B+/Stable			23-07-18	CRISIL B-/Stable	29-09-17	CRISIL B-/Stable	27-10-16	CRISIL B-/Stable	--
								19-09-17	CRISIL B-/Stable	16-09-16	CRISIL B-/Stable	
Non Fund-based Bank Facilities	LT/S T	6.50	CRISIL A4			23-07-18	CRISIL A4	29-09-17	CRISIL A4	27-10-16	CRISIL A4	--
								19-09-17	CRISIL A4	16-09-16	CRISIL A4	

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	.25	CRISIL A4	Bank Guarantee	.25	CRISIL A4
Export Packing Credit	30	CRISIL B+/Stable	Export Packing Credit	30	CRISIL B- /Stable
Foreign Bill Discounting	21	CRISIL B+/Stable	Foreign Bill Discounting	21	CRISIL B- /Stable
Funded Interest Term Loan	17.35	CRISIL B+/Stable	Funded Interest Term Loan	17.35	CRISIL B- /Stable
Letter of Credit	6.25	CRISIL A4	Letter of Credit	6.25	CRISIL A4
Proposed Long Term Bank Loan Facility	13.45	CRISIL B+/Stable	Proposed Long Term Bank Loan Facility	13.45	CRISIL B- /Stable
Working Capital Term Loan	5.21	CRISIL B+/Stable	Working Capital Term Loan	5.21	CRISIL B- /Stable
Total	93.51	--	Total	93.51	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating Criteria for Cotton Textile Industry](#)

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