**September 11, 2025**

# Cantabil Retail India Ltd.: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| **Long-term – Fund-based – Working capital facilities** | 57.50 | 57.50 | [ICRA]A (Stable); reaffirmed |
| **Short-term – Non-fund based facilities** | 2.00 | 2.00 | [ICRA]A2+; reaffirmed |
| **Long-term/short-term – Unallocated limits** | 15.50 | 15.50 | [ICRA]A (Stable)/ [ICRA]A2+; reaffirmed |
| **Total** | **75.00** | **75.00** | |

**Instrument details are provided in Annexure I*

## Rationale

The ratings reaffirmation continues to consider Cantabil Retail India Limited's (CRIL) established brand positioning in the apparel retailing business and a stable financial risk profile, marked by a healthy revenue growth, driven by continuing store addition, sustained profitability and low reliance on external funding. In FY2025, the company added 66 stores and clocked a revenue growth of 17.1%, with an operating profit margin of 28.5% (26.5% in FY2024) and a net margin of 10.4% (10.1% in FY2024). In Q1 FY2026, the company's operating income (OI) grew by 24.3% on a YoY basis, and its operating margin remained healthy and resilient at 30.8% in Q1 FY2026 vis-à-vis 30.9% in Q1 FY2025. ICRA expects CRIL's steady performance to continue over the medium term, aided by planned store addition and increasing brand awareness. Healthy cash generation from business would comfortably meet the company's incremental working capital requirement and capex for business growth, keeping reliance on external funding low and credit metrics healthy. The ratings continue to favourably factor in the established presence of CRIL's flagship brand, Cantabil, in the value-for-money men's wear segment, particularly in North and West India, and the pan-India distribution network comprising more than 600 exclusive brand outlets (EBOs) at present. The ratings derive comfort from the asset-light business model of the company, which has a combination of in-house and outsourced manufacturing along with the outright purchase of apparels, which allows substantial operating flexibility. This along with adoption of the franchisee model for around 20% of stores limit CRIL's capital requirement to some extent, supporting its business return.

The ratings, however, remain constrained by the high working capital intensity of operations due to large inventory holding requirements, which expose the company to inventory write-off risks amid the rapidly changing fashion trends and consumer preferences. Nevertheless, the company's limited presence in the fast-fashion category mitigates the risk of inventory obsolescence. The ratings also consider the high brand, segment and geographical concentration risks, as the company derives more than 80% of its revenues from the men's wear segment through a single brand and a major portion of its revenue comes from North India. The company's revenues and earnings also remain vulnerable to adverse market conditions and intense competition in the highly fragmented apparel retail industry.

The Stable outlook on the long-term rating reflects ICRA's opinion that CRIL's revenue and earnings growth will remain strong, aided by its established brand and continuing store expansion, while its comfortable financial risk profile is expected to sustain with limited reliance on borrowings and an adequate liquidity position.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters and management in the apparel retailing industry** – CRIL was founded in 1989 by Mr. Vijay Bansal and his family members, who have a long experience in the textile industry. The promoters are supported by a team of technically qualified and experienced professionals. These are likely to aid the company in understanding customer preferences and maintaining a sustainable supply chain over the medium term.

**Established market position in the men's wear segment and expanding retail network in tier-II and tier-III cities –** The company's flagship brand, Cantabil, has an established presence in the domestic apparel market, offering a wide product portfolio across men's wear, women's wear, kids' wear and accessories. Men's wear continues to dominate CRIL's revenue mix, contributing more than 80% to the revenues, due to its long presence in this segment. Nevertheless, the other product categories have recorded some improvement in revenue contribution over the last two fiscals. CRIL operates a pan-India retail network with 599 EBOs as on March 31, 2025, including 131 franchised stores, with Uttar Pradesh, Rajasthan, Maharashtra and Delhi each accounting for 10% or more of the total number of stores. The number of EBOs increased further to 621 as on August 31, 2025. The company had presence in 295 cities across 20 states as of June 2025. The company plans to aggressively expand its retail network over the coming years, with a focus on tier-II and tier-III cities to serve the young customers therein and benefit from relatively lower penetration and competition in the branded apparel segment in such cities. ICRA expects increasing retail presence and expanding brand awareness to drive the company's business growth over the medium term.

**Comfortable capital structure and healthy debt coverage metrics** – CRIL continues to record a healthy financial performance in FY2025 with a 17.1% revenue growth and a rise in the operating profit margin by 200 basis points to 28.5%. The revenue growth was driven by addition of 66 new stores in FY2025, despite a modest same-store-sales growth of 4.0% by value and 2.1% by volume on the back of tepid consumer demand. The company's financial risk profile benefits from its low reliance on external debt for working capital and absence of any long-term debt (except lease liabilities). While the gearing stood at 1.0 times as on March 31, 2025, the entire debt was in the form of lease liabilities. CRIL's debt coverage indicators remained healthy, as reflected by an interest coverage of 5.9 times and a DSCR of 2.3 times in FY2025. Limited reliance on external borrowings and healthy profits would continue to keep the company's debt coverage metrics at a comfortable level.

**Asset-light business model allowing operating flexibility** – CRIL operates with an asset-light business model wherein about 25% of the apparels is manufactured in-house. The company sources around 35% of its requirements from job workers/fabricators and the balance 40% directly from traders. Designing and product development are managed in-house to keep control over styling. CRIL's business model allows operating flexibility by keeping fixed costs under check. Moreover, more than 20% stores are operated by franchisee partners, which incur the capex required for fitment of stores and provide deposits in lieu of the inventory held by CRIL in the franchisee stores, reducing CRIL's overall capital requirement. The asset-light business model kept the company's ROCE healthy at around 19% over the last two fiscals.

### Credit challenges

**Significant stocking requirement, leading to working capital intensive nature of operations** – CRIL's business is working capital intensive with sizeable inventory holding requirements for existing as well as new stores, reflected in the net working capital to the operating income (NWC/OI) ratio of 29% over the last three fiscals. The inventory days remained elevated in the range of 230-250 since FY2022 and is likely to remain high amid plans of store additions over the coming years. The company's ability to manage its inventory level, while targeting growth, remains a key monitorable. Apart from increasing funding requirements in tandem with the rising scale of operations, a large inventory exposes the company to the risk of inventory markdowns for unsold products. However, the company's apparels are not positioned in the fast-fashion category, mitigating such risks arising from change in fashion trends. CRIL sells most of the aged/slow-moving inventory at discounted rates through offline and online channels. The company follows a prudent practice of provisioning for aged inventory, while the actual inventory obsolescence remains low.

**High brand, segment and geographical concentration of revenue** – CRIL's revenues demonstrate high concentration risks with a single brand name, dependence on the men's wear segment, which accounts for more than 80% of the annual revenue and high concentration of revenue in North India, which alone accounted for 58% of sales in FY2025, followed by a revenue share of 30% from West India. However, the company is increasing its presence in Central and East India, with revenue share of 6% and 5%, respectively in FY2025, which is likely to improve geographical diversification to some extent. Further, the management is taking initiatives to diversify its product mix by opening larger family stores and launching new products under accessories including footwear, which are likely to bear fruit over the medium-to-long term. The company's presence in e-commerce is limited currently, with around 6% of revenue coming from online sales, however, the same is expected to improve, going forward.

**Exposure to intense competition, changing consumer preferences and evolving discretionary spending trends** – The apparel retail market is very competitive with the presence of various branded and unbranded players. Aggressive expansion by other domestic and foreign branded apparel retailers are likely to further increase industry competition, even in tier-II and tier-III markets, which could impact the company's growth and profitability. CRIL also remains vulnerable to changing consumer preferences and fashion trends. Further, any deterioration in the overall macro-economic environment, translating into subdued discretionary spending by consumers could impact CRIL's growth plans.

## Environmental and social risks

**Environmental considerations** – The overall exposure to environmental risks remains low for apparel retailers. Increase in raw material costs (mainly cotton, which is a water intensive crop and production of the same is dependent on rainfall) could impact the margins of CRIL. Moreover, any tightening of waste control norms could necessitate significant capital expenditure by the company, affecting its financial profile and liquidity.

**Social considerations** – CRIL is exposed to the risk of business disruption due to inability to properly manage human capital in terms of their safety and overall well-being. Any significant increase in wage rates may adversely impact the cost structure of apparel retailers, impacting their margins. Besides, human rights violations could pose risks for the company. As a retailer, CRIL is also subject to other social factors including responsible sourcing, product and supply chain sustainability, given high reliance on external suppliers. The company also remains exposed to any major shift in consumer preferences or developments affecting discretionary spending patterns in key markets.

## Liquidity position: Adequate

CRIL's liquidity remains adequate. Its cash flow from operations remained healthy and is likely to improve, going forward, with an increasing scale of operation and stable profitability. The company's capex for store expansion and renovation is likely to remain at around Rs. 30 crore annually. The overall capex including construction of its new corporate office building-cum-warehouse and expansion of the manufacturing capacity tantamounted to around Rs. 50 crore in FY2025 and would remain at a similar level in the current fiscal. However, the capex for the new building and capacity expansion will be concluded in the current fiscal, leading to a lower capex in FY2027. The company's cash flow from operations will be adequate to meet the planned capex, despite increasing working capital requirement to support sizeable revenue growth. CRIL does not have any long-term debt (except lease liabilities) and it utilises the working capital limit (Rs. 57.5 crore) partially during the festive season. The working capital utilisation as on March 31, 2025 remained nil. The cushion in the working capital limit along with free cash and liquid investments (Rs. 33 crore as on March 31, 2025) also provide liquidity buffer.

## Rating sensitivities

**Positive factors –** ICRA may upgrade the ratings in case of a sustained improvement in its revenue and profitability with efficient working capital management and sustenance of a comfortable liquidity profile.

**Negative factors** – Pressure on CRIL's ratings may arise if a significant decline in its revenue and/or profitability or elongation of the working capital cycle materially impacts the company's liquidity profile on a sustained basis. Any large unanticipated debt-funded capex or inorganic growth impacting the credit metrics significantly, may also result in ratings downgrade. Specific credit metrics that could result in ratings downgrade include an interest cover below 4.5 times on a sustained basis.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Rating Methodology – Textiles (Apparels) |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | Standalone |

## About the company

Cantabil Retail India Ltd. (CRIL) is engaged in designing, manufacturing, branding and retailing of branded apparels and accessories for men, women and kids in the economy to mid-range price segments through a pan-India network of exclusive brand outlets (EBOs). The company retails its products under its brand, Cantabil. CRIL had 599 EBOs (including 136 franchisee stores) as on March 31, 2025, which increased to 621 as on August 31, 2025. The company also operates a fully integrated manufacturing facility in Bahadurgarh, Haryana with an annual installed capacity of around 18 lakh pieces at present, which will increase to around 20 lakh pieces in the current fiscal. CRIL's own production meets around 25% of its apparel sales volume. Earlier, the company had separate brands, Crozo, Lil Potatoes and Kaneston for its women's wear, kids' wear and accessories. However, the brands were merged into the flagship brand in 2017.

The company was incorporated as Kapish Sales Private Limited in February 1989 by Mr. Vijay Bansal and his family members in New Delhi. It was subsequently renamed as Cantabil Retail India Ltd. in March 2009 and was listed on BSE and NSE in October 2010. Around 74% of CRIL's equity shares are owned by the promoter group.

### Key financial indicators (audited)

| CRIL (Standalone) | FY2024 | FY2025 | Q1 FY2025* | Q1 FY2026* |
|---|---|---|---|---|
| **Operating income** | 615.6 | 721.1 | 127.6 | 158.7 |
| **PAT** | 62.2 | 74.9 | 11.4 | 14.7 |
| **OPBDIT/OI** | 26.5% | 28.5% | 30.9% | 30.8% |
| **PAT/OI** | 10.1% | 10.4% | 8.9% | 9.2% |
| **Total outside liabilities/Tangible net worth (times)** | 1.3 | 1.3 | - | - |
| **Total debt/OPBDIT (times)** | 2.1 | 2.0 | - | - |
| **Interest coverage (times)** | 5.5 | 5.9 | 5.0 | 4.7 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited*
*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | | | Current ratings (FY2026) | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | Sep 11, 2025 | Date | Rating | Date | Rating | Date | Rating |
| **Fund-based – Working capital facilities** | Long-term | 57.50 | [ICRA]A (Stable) | Aug-23-24 | [ICRA]A (Stable) | Jul-20-23 | [ICRA]A-(Stable) | Jun-15-22 | [ICRA]A-(Stable) |
| **Non-fund based facilities** | Short-term | 2.00 | [ICRA]A2+ | Aug-23-24 | [ICRA]A2+ | Jul-20-23 | [ICRA]A2+ | Jun-15-22 | [ICRA]A2+ |
| **Unallocated limits** | Long-term/ short-term | 15.50 | [ICRA]A (Stable)/ [ICRA]A2+ | Aug-23-24 | [ICRA]A (Stable)/ [ICRA]A2+ | Jul-20-23 | [ICRA]A-(Stable)/ [ICRA]A2+ | Jun-15-22 | [ICRA]A-(Stable)/ [ICRA]A2+ |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| **Long-term – Fund-based – Working capital facilities** | Simple |
| **Short-term – Non-fund based facilities** | Simple |
| **Long-term/short-term – Unallocated limits** | Not applicable |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

## Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| NA | Fund-based – Working capital facilities | NA | NA | NA | 57.50 | [ICRA]A (Stable) |
| NA | Non-fund based facilities | NA | NA | NA | 2.00 | [ICRA]A2+ |
| NA | Unallocated limits | NA | NA | NA | 15.50 | [ICRA]A (Stable)/[ICRA]A2+ |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

## Annexure II: List of entities considered for consolidated analysis – Not Applicable

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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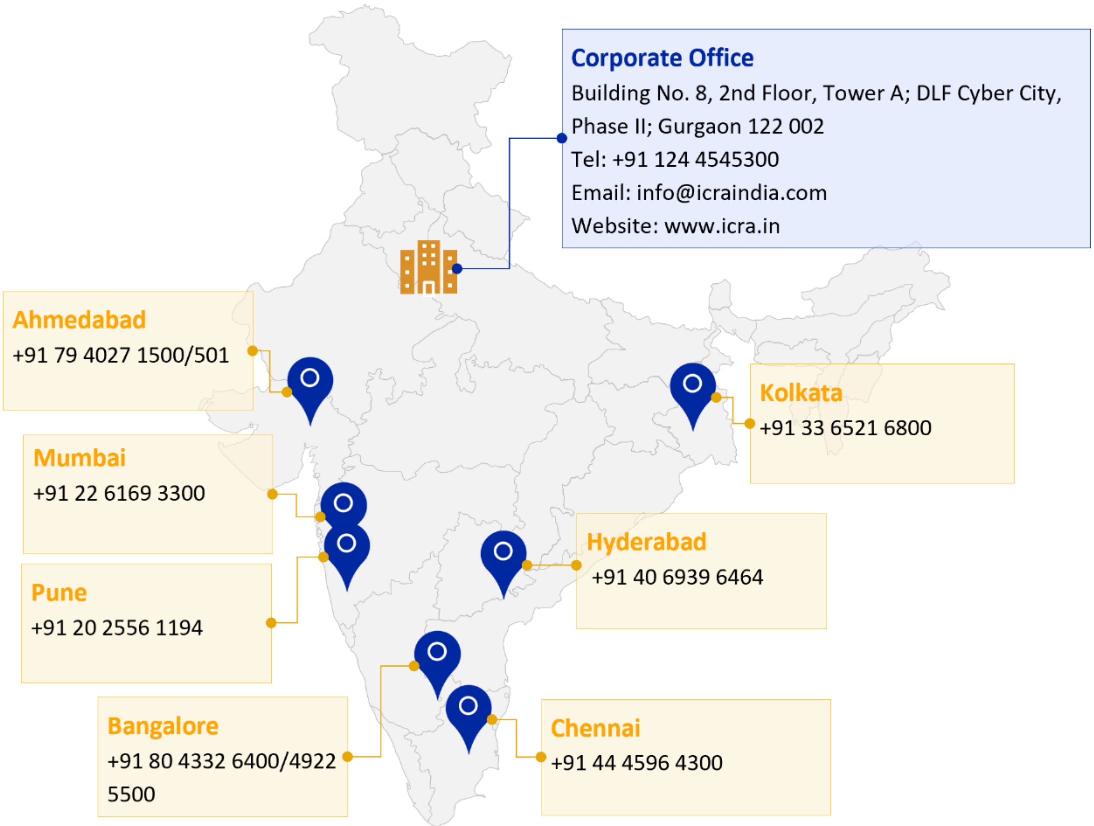




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