

Design Classics Exports Private Limited

Instruments	Amounts (Rs. Crore ¹)	Rating Action
Long-term – fund based facilities	3.00 (revised from 2.00)	[ICRA]B+/ reaffirmed
Long term – unallocated	0.10 (revised from 1.00)	[ICRA]B+/ reaffirmed
Short term – fund based facilities	4.95	[ICRA]A4/ reaffirmed
Short term – non fund based facilities	0.90 (revised from 1.00)	[ICRA]A4/ reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]B+ (pronounced ICRA B plus) rating outstanding on Rs. 3.00 crore fund based facilities (revised from Rs. 2.00 crore) and Rs. 0.10 crore proposed facilities (revised from Rs. 1.00 crore) of Design Classics Exports Private Limited (“DCEPL” / “the Company”)†. ICRA has also reaffirmed the short term rating of [ICRA]A4 on Rs. 4.95 crore fund based facilities and Rs. 0.90 crore (revised from 1.00 crore) non fund based facilities of the company.

The ratings reaffirmation factors in the promoters’ experience of over two decades in the business and modest growth of 8% in the revenues of the Company during 2015-16. The ratings are, however, constrained by the company’s weak financial profile with operating margin coming down to 6.8% for 2015-16 as against 8.3% during the previous year, stretched coverage indicators with interest coverage at 1.5x and NCA/TD at 3.3% and working capital intensity of 103% on account of high inventory stocking and long collection period. ICRA also takes note of the Company’s small scale of operations; competitive nature of industry and high customer concentration which limits pricing flexibility, thereby exposing the margins to volatility in raw material prices; the vulnerability of its profitability to exchange rate movements as ~41% of revenues were derived from export sales. Going forward, company’s ability to moderate its working capital intensity will be a key sensitivity factor for improvement in credit profile.

Entity Profile

DCEPL is engaged in manufacture of knitted garments. The Company was established as a partnership firm (M/s. Design Classics) in 1989 and later converted into a private limited company in 1993. The company caters to the demand in both domestic and export markets. In the domestic market, it supplies predominantly to retailers in Chennai and is also engaged in selling garments under the brand name “Design Legacy” in the domestic market. In the export market, the company exports to customers located in United States of America, Italy, Spain and South Africa among others. Currently, DCEPL has three manufacturing facilities in Tamil Nadu.

Recent Results

The firm reported a net profit of Rs. 1.5 crore on an operating income of Rs. 91.9 crore during 2014-15 as against a net profit of Rs. 1.8 crore on an operating income of Rs. 79.1 crore during 2013-14.

For financial year 2015-16 as per unaudited results, the firm has achieved revenues of Rs. 88.2 crore and PBT (Profit before Tax) of Rs. 2.5 crore.

September 2016

¹ 100 lakhs = 1 crore = 10 millions



For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

R Srinivasan (Tel. No. +91 44 4596 4315)
r.srinivasan@icraindia.com

Sheeba Francis (Tel No. +91 44 42974316)
f.sheeba@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500