

Cibi International Private Limited

Instruments	Amounts (Rs. crore ¹)	Rating action
Long-term: Fund based facilities	20.00	[ICRA]BB-(Stable) / reaffirmed
Short-term: Non-fund based facilities	0.40	[ICRA]A4 / reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB- (pronounced ICRA double B minus) outstanding on the Rs. 20.00 crore fund based facilities of Cibi International Private Limited (“CIPL” / “the Company”)². ICRA has also reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) outstanding on the Rs. 0.40 crore non-fund based facilities of the Company. Outlook on the long-term rating is stable.

While arriving at the ratings, ICRA has consolidated the operational and financial risk profiles of three companies – (a) Lakshmi Mills Private Limited, (b) Cibi International Private Limited and (c) Gagan Knitwears Private Limited. At consolidated level, the group’s operating income stood at Rs. 529.0 crore for 2014-15 with operating and net margins of 6.3% and 2.4% respectively.

Rationale

The ratings favourably consider the significant experience of the promoters in the textile industry of over two decades and the integrated nature of operations along with its group entities facilitating operational and financial flexibility. The ratings also factor in the growth in the operating income in FY15 by a healthy 19.3% driven by healthy order flows and the improvement in the capital structure on account of repayment of term loan from bank and unsecured loans, with the gearing coming down to 0.7 times as on March 31, 2015 (as against 0.8 times previously). The ratings are, however, constrained by high customer concentration risk resulting in low bargaining power and high working capital intensity driven by stretched receivables due to delayed payment from Eastman Exports Global Clothing Private Limited (Eastman), from whom it derives a major portion of revenues. However, the Company’s long-standing relationship with Eastman mitigates the client concentration risk to an extent and the funding support from it aids in shoring up its liquidity position. The ratings are further constrained by the intense competition in the highly fragmented domestic textile industry resulting in limited pricing flexibility and hence thin profit margins. The company had taken additional term loans in the current fiscal and has plans to increase its working capital limit with its banker, which is expected to result in moderation in the debt metrics. Going forward, the Company’s ability to improve the revenues and profit margins, and efficiently manage its working capital requirements would be key rating sensitivities.

Company Profile

CIPL was established in 1991 by Mr. G. Sakthivel as a partnership firm and was incorporated in 2010. The Company is engaged in the manufacture and supply of garments primarily to Eastman and other entities. The Company has 11,250 sewing and cutting machines with a capacity to produce 3,20,000 pieces per day. It primarily does job work for Eastman, which supplies most of the raw materials. It also manufactures garments for which it procures yarn and knitted fabrics from LMPL. The yarn procured from LMPL is knitted at GKPL according to customer requirements. Further processing of the fabrics is done at Shri Hari Process, a proprietorship firm owned by Mr. G. Sakthivel.

Recent Results

The Company reported a net profit of Rs. 6.0 crore on an operating income of Rs. 391.0 crore during 2014-15 as against a net profit of Rs. 6.2 crore on an operating income of Rs. 327.7 crore during 2013-14.

March 2016

¹100 lakh = 1 crore = 10 million

²For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.



For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@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: **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: **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: **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: **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: **989986490**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: **989986490**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: **9845022459**Email: jayantac@icraindia.com

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