# Cravatex Limited

| Instrument | Amount | Rating Action (November-15) |
|---|---|---|
| Term Loan | Rs. 8.74 crore | [ICRA]BBB- (Stable) re-affirmed |
| Fund based (CC) | Rs. 50.00 crore (enhanced from Rs. 40.00 crore) | [ICRA]BBB- (Stable) re-affirmed |
| Non Fund Based (SBLC) | Rs. 4.50 crore | [ICRA]BBB- (Stable) re-affirmed |
| Non Fund Based (LC/LER/BC/Factoring) | Rs. 64.00 crore (enhanced from Rs. 40.00 crore) | [ICRA]A3 re-affirmed |

ICRA has re-affirmed the long term rating of [ICRA]BBB- (pronounced ICRA triple B minus)* rating outstanding on the Rs. 8.74 crore† Term Loans, Rs. 50.00 crore Fund Based (enhanced from Rs. 40.00 crore) and Rs. 4.50 crore Non Fund Based bank facilities of Cravatex Limited (Cravatex / the company). The outlook on the long-term rating is Stable. ICRA has also re-affirmed the short term rating of [ICRA]A3 (pronounced ICRA A three) outstanding on the Rs. 64 crore Non Fund Based (enhanced from Rs. 40.0 crore) bank facilities of Cravatex.

ICRA has taken a consolidated view of Cravatex Limited (Cravatex) along with its wholly owned subsidiary BB UK Ltd (BB), while re-affirming the ratings. The ratings re-affirmation continues to factors in the long established and proven experience of the promoter group in the distribution of sportswear and fitness equipment, exclusive long term sourcing arrangements with leading principals like FILA, Johnson Health Tech etc. The rating also takes into account the wide geographic spread facilitated by an array of channel partners and a diversified clientele in the institutional sales segment with top 10 clients accounting for ~45% of sales.

The ratings are however constrained by the de-growth of operating income on a consolidated level due to a continuing slowdown in demand in the domestic and international markets. The rating additionally factors the pressures on margins owing to inflationary environment on operating costs and vulnerability to adverse movements in foreign exchange rates given that a large part of the procurement is through imports. However, the presence of; an active hedging strategy alleviates the risk to some extent. Further, the company has witnessed an increase in working capital intensity of operations largely on account of the increase in inventory retained for the e-commerce based client.
The rating additionally takes into account accounts the reduction in the company's lease rental income in the FY2015 on account of change in rental rates with effect from Apr-15 for the commercial property located at Nariman Point, Mumbai.

Going forward, the company's ability to scale up its' operation, maintain healthy profitability levels and manage its inventory at a comfortable level remain critical from our credit perspective.

**Company Profile**
Incorporated in 1951, Cravatex is a part of the Mumbai based Batra Group. The company was originally engaged operating one of the largest chain of dyers and dry cleaners in India (Band Box) and subsequently diversified into garment export, textile processing and printing. These business, however, were divested off subsequently. The company is now engaged in global retail, distribution and sourcing with a presence across the Indian Subcontinent, United Kingdom, Europe, North Africa and the Middle East. The company was listed on the Bombay Stock Exchange in 1979. The company operates in two segments, namely distribution of fitness equipment and distribution of sports shoes and apparel. Cravatex is the exclusive licensee for the distribution of the brand Fila for India, Pakistan, Sri Lanka, Bangladesh, Middle East and North Africa, while its subsidiary BB (UK) Ltd supplies to FILA license holders in UK and Ireland. Cravatex also holds the exclusive distribution rights for Taiwan base Johnson Health, which is a reputed vendor for fitness equipment

* For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.
† 100 lakh = 1 crore = 10 million

For the financial year ending March 31, 2015, the company reported an operating income of Rs. 232.56 crore (consolidated) and a net profit of Rs. 2.39 crore as compared to an operating income of Rs. 243.81 crore and a net profit of Rs 4.87 crore in the same period last year.

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