



Ref: D/RAT/2010-11/C-52/1

September 06, 2010

Mr. Vijay Bansal  
Managing Director  
Cantabil Retail India Ltd.  
B-47, Lawrence Road Industrial Area  
New Delhi -110035

Dear Sirs,

**Re: ICRA Grading of Initial Public Offer of Rs. 105.0 crore to be issued by Cantabil Retail India Ltd. to the Public ("IPO")**

Please refer to your mandate letter dated May 13, 2010 for grading the Rs. 105.0 crore IPO of Cantabil Retail India Ltd. The Rating Committee of ICRA, after due consideration, has assigned the "IPO Grade 2" (pronounced Initial Public Offer Grade two) grading to the captioned IPO programme. This grading indicates below-average fundamentals.

In any of your publicity material or other document wherever you are using the above grading, it should be stated as "IPO Grade 2". We would appreciate if you can sign on the duplicate copy of this letter and send it to us as a token of your confirmation about the use of this letter. The rationale for assigning the above grading will be sent to you in due course.

This grading is specific to the terms and conditions of the proposed IPO issue as was indicated to us by you and any change in the terms or size of the IPO would require the grading to be reviewed by us. If there is any change in the terms and conditions or size of the rated IPO, as above, the same must be brought to our notice before the issue of the IPO. If there is any such change after the grading is assigned by us, it would be subject to our review and may result in change in the grading assigned.

ICRA reserves the right to suspend, withdraw or revise the above grading at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the aforesaid grading assigned to you.

The grading, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Equity Shares to be issued by you. If the issue graded, as above, is not placed by you within a period of 6 months from date of this letter communicating the grading, the same would stand withdrawn unless revalidated before the expiry of 6 months.

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You are required to keep us forthwith informed of any developments (including any default or delay in repayment of interest or principal amount of any debt instruments/ borrowing or proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts) which may have a direct or indirect impact on the grading assigned to the aforesaid IPO programme.

In determining the grading, ICRA has relied on the information available/made available to it by your company and ICRA does not guarantee the completeness or accuracy of such information on which the rating is based

We thank you for your kind cooperation extended during the course of the grading exercise. Should you require any clarification, please do not hesitate to get in touch with us.

With kind regards,

Yours sincerely,  
for ICRA Limited

Rohit Inamdar  
(Senior Vice President)

Pratik Singhania  
(Analyst)



## CANTABIL RETAIL INDIA LIMITED

### Issue Details

Cantabil Retail India Limited (CRIL) is proposing to come out with an Initial Public Offer (IPO) of [\*] equity shares of face value Rs. 10 each aggregating Rs. 105.0 crore. The Issue is being made through 100% book building process wherein at least 50% of the issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs), including up to 5% of the QIB portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. Further up to 15% of the issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the issue shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid bids being received at or above the issue price. Post IPO, the shares will be listed on the NSE & BSE.

### Proposed Use of IPO Proceeds

The IPO proceeds are proposed to be used in the manner as mentioned in the table below:

Particulars	Rs. crore
Establishment of new manufacturing facility	31.63
Additional Working Capital	30.00
Expansion of the retail network	24.98
Repayment of Debt	20.00
General Corporate Purposes	[*]
Expenses for the Issue	[*]
Total	[*]

### IPO Grading

ICRA has assigned an IPO Grade 2 indicating below- average fundamentals to the proposed Initial Public Offering (IPO) of CRIL. ICRA assigns IPO grading on a scale of IPO Grade 5 through IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

Website:  
[www.icra.in](http://www.icra.in)

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include inter alia business and competitive position, financial position and prospects, management quality, corporate governance and history of compliance and litigation.

**Disclaimer:** Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timelines, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA is provided on an "as is" basis, without representations and warranties of any nature.

## Strengths

- Established discount brand in the domestic apparel market with a diversified product portfolio for men, women and kids
- Wide network of exclusive retail outlets across metros, Tier I and Tier II cities in India
- Proposed manufacturing facility to reduce dependence on third party manufacturers and improve profitability
- Healthy financial profile with steady growth and improvement in operating profitability in the past
- Experienced promoters with around two decades of experience in the garment industry
- Favourable demand outlook for the organized retailing in the country

## Concerns

- Aggressive expansion plans may put pressure on the operating profitability as the company might adopt pricing strategy to gain market share in newer regions; increase in fixed costs such as rentals to have an impact on operating profitability
- High working capital intensity coupled with rapid expansion in the past had resulted in negative fund flow from operations; this is likely to continue over the medium term as the company plans to scale up quickly by opening new stores and adding new product lines
- Successful expansion of the retail network would be dependent on the ability to scale up and effectively manage the supply chain, especially given the high inventory requirements
- Highly fragmented and competitive market, dominated by the unorganized sector
- Rising yarn and fabric prices could put pressure on the profitability of the company given the fragmented nature of the industry and vulnerability of retail sales to economic trends

## Grading Rationale

The IPO grade assigned by ICRA reflects CRIL's established position in the domestic discount apparel market through its *Cantabil* and *La Fanzo* brands, diversified product range and a widespread pan India distribution network. CRIL had reported strong growth and improvement in the profitability in the past driven by expansion of its retail network, diversification of the product range and commencement of in-house manufacturing for men's wear. CRIL has aggressive expansion plans of expanding its retail network which coupled with positive outlook on the apparel retail sector and strong brand equity of its products, is expected to result in healthy growth in the revenues. CRIL is planning to set up a new manufacturing facility in Bahadurgarh (Haryana) which would reduce its dependence on third party manufacturers and consolidate some of its existing manufacturing facilities in the proposed integrated complex. The grading also takes into account the strength of the management that has over two decades of experience in the garment industry. The grading is however constrained by CRIL's vulnerability to adverse economic conditions like weakness in consumer spending, volatility in lease rentals and growing competitive intensity in the domestic apparel retail segment which is highly fragmented. The grading also takes into the account the company's plan of increasing the number of retail stores, especially in areas where it has relatively less presence which might keep its profitability under pressure as the company might pursue pricing strategy to create brand awareness and establish its product in the market. ICRA notes that the successful expansion of the retail network is dependent on the ability of the company to scale up and effectively manage its supply chain, especially given the high inventory requirements. The high working capital intensity coupled with rapid growth in the past, had resulted in the negative cash flows from operations and this is likely to continue in the medium term as the company plans to scale up quickly by opening new stores and adding new product lines.

## Company Profile

CRIL was originally incorporated as Kapish Sales Pvt. Ltd. in February 1989. The name of the company was subsequently changed to Kapish Products Pvt. Ltd. in May 1995. Kapish Products Pvt. Ltd. was engaged in trading of garments and garment accessories till 2000-01. In 2000-01, it started designing and manufacturing of readymade garments for men which were retailed under the *Cantabil* brand by another promoter company, Cantabil International Pvt. Ltd. In October 2008, Cantabil International Pvt. Ltd. was merged into Kapish Products Pvt. Ltd. with effect from April 2007. The name of the company was subsequently changed to Cantabil Retail India Pvt. Ltd. in March 2009. The company was converted into a public limited company and the name was changed to Cantabil Retail India Ltd in August 2009.

CRIL is currently engaged in the designing, manufacturing and retailing of apparels under its brands *Cantabil* and *La Fanzo* through a network of 381 exclusive retail outlets (as of August 31, 2009) across India. The first *Cantabil* store was opened in September, 2000 in New Delhi. *Cantabil* with 206 exclusive retail outlets (as of August 31, 2009) offers complete range of formalwear, party-wear, casuals & ultracausal clothing for men, women and kids in the middle income group. Though *Cantabil* started as a men's wear brand, over the last 10 years, it has become a complete family wear brand with addition of women's wear in 2007-08 and kids wear in 2008-09.

CRIL launched its second brand *La Fanzo* in October 2008 and has 175 exclusive retail outlets (as of August 31, 2009). *La Fanzo* caters to men's segment in lower to middle income group and focuses on casual, ultra casual and formal wear. In addition to apparels, the company is also engaged in the retailing of various accessories such as ties, belts, socks, caps and handkerchief under its two brands.

## Promoters and Management

CRIL is promoted by Mr. Vijay Bansal who has over 20 years of experience in the garment and garment accessories industry. In addition to Mr. Vijay Bansal, there are two more promoter directors, Mr. Deepak Bansal (son of Mr. Vijay Bansal) and Ms. Swati Gupta (daughter of Mr. Vijay Bansal). Mr. Deepak Bansal has over 5 years of experience in apparel retail industry and looks after the marketing strategy for the company. Ms. Swati Gupta holds a diploma in fashion designing from National Institute of Fashion Technology (NIFT) and is responsible for new product development in the company.

Currently, the promoters have a 99.99% shareholding in the company, which will come down to [\*] post IPO.

Category	Pre-Issue Holding	Post-Issue Holding
Promoters & Promoter Group	99.99%	[*]
Others	0.01%	[*]
Public Issue	0.00 %	[*]
Total	100.00%	100.00%

While the promoters are hands on in the operations of the company, CRIL is a professionally managed company with well laid down delegation of powers. The Managing Director is responsible for the overall management and supervision of the business of the company. He is supported by a qualified professional team which is responsible for various operations in the company such as procurement of raw materials, manufacturing, designing, marketing and finance. Moreover, management information systems are adequate with daily reporting system to keep track of retail operations, inventory management and identification of trends on fashion and demand across regions and seasons.

## Corporate Governance

The Board of Directors comprises of four executive directors and four independent directors, thereby satisfying the Clause 49 of the listing agreement on corporate governance. The board is broad based with directors having skill sets and experience in diversified areas such as banking, management, finance, taxation, textiles and retailing.

The company has constituted three committees to comply with corporate governance requirements which include Audit committee, Shareholders' Grievance Redressal Committee and Remuneration Committee, each of which is chaired by an independent director.

## Business and Competitive Position

**Established discount brand in the domestic apparel market targeting middle income segment; positioned as a family store with a diversified product portfolio for men, women and kids; men's wear accounts for more than 80% of the total volume sales**

CRIL had been involved in the retailing of branded apparels under the brand *Cantabil* since 2000-01 and is an established brand in the domestic market. The brand is positioned to target the middle income segment and has a strategy of offering discounts in the range of 50-70% throughout the year to the customers.

Though CRIL started with men's wear, over the years the company has diversified its product portfolio and currently offers a wide product range for men, women and kids. The women's wear was launched by the company in 2007-08 and the kid's wear was launched in 2008-09. Moreover, the company launched another brand *La Fanso* in 2008-09 which exclusively offers only men's wear in the lower to middle income segment.

*Men's wear accounts for more than 80% of the total volume sales*

The table below shows the distribution of the total volume sales of the company from men's, women's and kid's wear over the last two years:

	2007-08		2008-09	
	Cantabil	La Fanso	Cantabil	La Fanso
Men's wear	87%	-	84%	96%
Women's wear	5%	-	7%	-
Accessories	8%	-	7%	4%
Kid's wear	0%	-	1%	-
% of total sales	100%	0%	75%	25%

### All the sales in the domestic market through Exclusive Brand Outlets (EBOs)

The focus of the company has been on the Northern and Western regions of the domestic market which together accounted for ~85% of sales of the company in 2009-10. The remaining 15% of its total sales was from the South, Central & Eastern regions. The readymade garments are retailed only through the company's Exclusive Brand Outlets (EBOs) under two exclusive chains of EBOs for *Cantabil* and *La Fanso* brands respectively. CRIL believes that the EBO model helps it to reach directly to the customers and provides it more flexibility in brand promotion and inventory management.

The company operates its EBOs under the following two models:

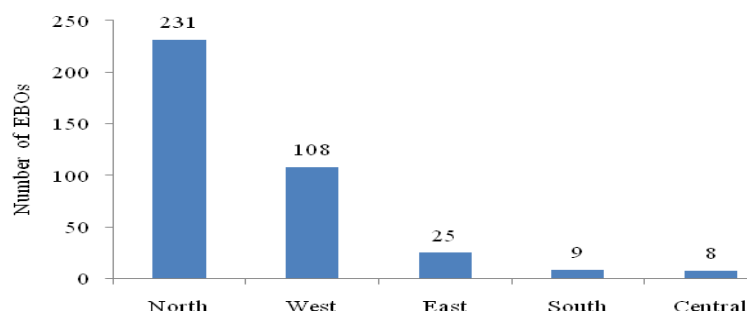
**Company Owned Franchisee Managed (COFM):** While these outlets are either owned or leased by the company, the control to manage is given to a local franchisee. The operational expenses such as salaries, electricity, stationery etc. are borne by the company and the franchisee is responsible for the overall operations of the outlet. The franchisee is paid certain percentage as commission on sales depending on mutually agreed terms.

**Franchisee Owned Franchisee Operated (FOFO):** These outlets are either owned or leased by the franchisee. The operational expenses such as salaries, electricity, stationery etc. are borne by the franchisee and who is paid certain commission on sales depending on mutually agreed terms.

The following table shows the distribution of the EBOs of *Cantabil* and *La Fanso* under the two models (as of August 31, 2009):

No. of EBOs	Cantabil	La Fanso	Total
COFM	107	14	121
FOFO	99	161	260
Total	206	175	381

### Strong network of EBOs in Northern and Western India across metros, Tier I and Tier II cities



Though the company has a pan India presence, it has a strong network of EBOs in Northern and Western India. Out of the total 381 EBOs (including both of *Cantabil* and *La Fanzo*) as on August 31, 2009, ~61% of them are in Northern India followed by Western India which accounts for ~28% of the total EBOs. The company has limited presence in Eastern, Southern and Central India which accounts for 7%, 2% and 2% respectively of the total EBOs.

CRIL has a retail network across metros, Tier I and Tier II cities which has helped the company to diversify its market and consumer base. As a result, the company was relatively insulated from the economic downturn due to its diversified presence across Tier II and Tier III cities.

### Mix of in-house and outsourced manufacturing with less than half of the total requirements manufactured in-house

The company has two manufacturing and one finishing facility in Delhi with an in-house installed capacity of manufacturing 10.8 lakh pieces of men's wear (casual trousers, shirts and denims) and finishing capacity of 30 lakh pieces of men's, women's and kid's wear per annum as on August 31, 2009. Due to limited in-house production capacity, the company outsources ~50-60% of its total requirement to third party manufacturers. The manufacturing of woven garments such as trousers, shirts, blazers etc are outsourced on a job work basis where the company supplies the fabric and accessories along with the garment sample to the manufacturers who provide the stitched garments back to the company, which is then finished at the company's facilities. The finishing operations involve cutting of threads, pressing, attaching of buttons, packaging etc.

Hosiery garments such as sweaters, jackets, track suits and accessories such as belt, tie, sock and handkerchief are purchased in finished and packaged form from third party suppliers as per the designs and specifications provided by the company.

The company currently does not have facilities for washing and embroidering and therefore uses the services of vendors for the same. The company is setting up a garment washing unit in Sonapat (Haryana) at an investment of Rs. 2.2 crore which is expected to commence operations by December 2010. This facility would make the company self sufficient for washing of cotton shirts, trousers and soft denims.

### Aggressive plans to expand the retail network and set up a new integrated manufacturing facility; expansion to be funded entirely through IPO proceeds

The company has aggressive plans of expanding its retail network both geographically and in terms of number of EBOs which would be a mix of both COFM and FOFO stores. The IPO proceeds would be utilized to open ~180 COFM EBOs over the next couple of years. According to the company, as fast developing smaller towns which are currently under served, offer good scope for the company's brands, it plans to have atleast 20% of its new stores in Tier II cities and towns. Moreover, as the company has limited presence in Southern and Eastern India, it plans to expand in these regions to have a strong pan India presence.

Though an expansion in the retail network would help the company to diversify and increase the customer base, any decline in the profitability due to higher discounts to push sales or deterioration in the working capital intensity due to aggressive expansion, could be key sensitivities going forward.



In view of the strong growth projected by the company, CRIL is planning to set up a new integrated manufacturing facility for woven garments in Bahadurgarh (Haryana) which would reduce its dependence on third party manufacturers, though the company plans to maintain a healthy mix between in-house and outsourced manufacturing. Post commissioning of the new facility, the total in-house capacity of the company would be increased from ~10.8 lakh pieces per annum (as on August 31, 2009) to ~54 lakh pieces per annum. The finishing capacity would also be increased from 30 lakh pieces per annum to ~73 lakh pieces per annum.

Though the new manufacturing facility would reduce the company's dependence on third party manufacturers and consolidate its operations, any delay in the commissioning of the project might result in cost overrun or variation in the actual cost compared to that of the management's estimates (as the project is not appraised by any external agency), might result in dependence on external funds if internal accruals are not sufficient to fund the gap. Moreover, the company also faces execution risk as it has not executed similar sized project in the past.

### **Intense competition in the domestic apparel market; economic downturn and volatility in fabric prices and rentals to impact the sales and profitability**

The domestic apparel market is highly fragmented, dominated by a number of retailers both in the organized and the unorganized sector. The presence of several Indian and international apparel brands in the marketplace has resulted in intense competition in the organized domestic apparel industry.

Moreover as the revenues of the company are dependent on retailing of apparels to its customers, any economic slowdown may affect the spending power of its customers and restrict their expenditure, thereby negatively impacting the revenue and profitability of the company. In addition, any significant increase in the raw material prices, such as that of fabric, could have an adverse impact on the operating profitability given the limited ability of the company to completely pass on the hike in the costs due to intense competition and fragmented nature of the industry. The company is also exposed to the volatility in the rentals which constitutes one of the major fixed costs for the company.

## **Financial Position<sup>1</sup>**

**Strong growth driven by increase in the number of retail stores and new product introduction; increase in profitability due to commencement of in-house production and benefits on account of economies of scale**

<b>In Rs. Crore</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Operating Income (OI)	22.72	44.17	73.21	138.32	202.52
OPBDITA	2.05	4.68	7.76	16.95	31.47
PAT	1.17	2.66	3.02	5.95	14.68
NCA	1.23	2.76	3.95	7.59	17.03
OPBDITA/OI (%)	9.0%	10.6%	10.6%	12.3%	15.5%
PAT / OI (%)	5.1%	6.0%	4.1%	4.3%	7.3%
ROCE (%)		66.3%	26.8%	29.1%	40.2%
RONW (%)		81.0%	45.0%	50.9%	66.5%
EPS (Rs./ share)	2.79	6.73	6.56	12.20	17.40

Note: OPBDITA: Operating Profit before Depreciation, Interest, Tax and Amortisation; PAT: Profit After Tax; NCA: Net Cash Accruals; ROCE: Return on Capital Employed; RONW: Return on Net Worth  
Source: Annual Report

The operating income increased at a CAGR of 66% per annum during the period 2007-10 primarily on account of expansion in the retail network and product portfolio. CRIL expanded its product portfolio with

<sup>1</sup> Financials for 2007-08 are based on restated figures post amalgamation of the company with Cantabil International Pvt. Ltd. which was effective from April 1, 2007. Financials for 2005-06 and 2006-07 are that of Kapish Products Pvt. Ltd.



the introduction of women's wear in 2007-08 and kid's wear in 2008-09. In 2008-09, CRIL also launched another brand, *La Fanzo*, exclusively for men.

The operating profit margin had increased from 10.6% in 2007-08 to 15.5% in 2009-10 as the company commenced in-house manufacturing of garments from 2008-09 and shifted to bigger outside garment manufacturers which resulted in cost benefits on account of economies of scale. The relatively smaller increase in the net profit margin from 4.1% in 2007-08 to 7.3% in 2009-10 was due to increase in depreciation and interest expenses on account of debt funded expansion.

ROCE and RONW had been healthy at 40.2% and 66.5% respectively as on March 31, 2010. The decline in RONW during the period 2007-09 was due to decline in net profitability due to increase in proportion of interest and depreciation expenses on account of debt funded expansion of retail stores and setting up of in-house manufacturing facilities which increased the capital assets, though the benefits started accruing only from 2009-10.

#### **Increased working capital borrowings because of rapid expansion; debt coverage indicators are healthy**

<b>In Rs. Crore</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Total Debt	1.83	5.94	32.53	44.54	62.64
Net Worth	1.83	4.74	8.70	14.68	29.45
Total Debt / Net Worth	1.00	1.25	3.74	3.03	2.13
OPBDITA/Interest and Finance charges	16.10	12.41	3.04	3.44	4.50
NCA/Total Debt	67%	46%	12%	17%	27%
Total Debt/OPBDITA	0.89	1.27	4.19	2.63	1.99
Gross block	0.59	1.41	8.01	14.48	17.69

Source: Annual Report

Though the gearing was high at 2.1 times as on March 31, 2010, most of the total debt was for working capital. As a result Long-Term Debt/ Net Worth was low at 0.3 times as on March 31, 2010. The increase in gearing from 1.0 times as on March 31, 2006 (from 1.7 times as on March 31, 2006 if total debt and net-worth of Cantabil International Pvt. Ltd. and Kapish Products Pvt. Ltd. are consolidated) to 2.1 times as on March 31, 2010 was on account of debt funded expansion of the retail network (term loan for fixtures & furniture for COFM stores and working capital for inventory of finished goods) and setting up of in-house garment manufacturing facility.

#### **High working capital intensity averaging ~39% over the last three years; high inventory days of finished goods**

	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Debtor Days	39	69	59	81	60
Creditor Days	59	67	44	74	83
Inventory Days	98	135	262	266	435
NWC/OI	14%	22%	46%	33%	37%

Note: NWC: Net Working Capital

Source: Annual Report

The working capital intensity of the company had been high and had averaged ~39% over the last three years. The company gets a credit period of ~90-120 days for purchase of fabrics, accessories and from third party manufacturers and suppliers of finished garments (hosiery products). The company offers some credit to its franchisees, which is reflected in debtors of 60 days as on March 31, 2010.

The inventory days for the company are high at ~435 days as on March 31, 2010. The company maintains an inventory of ~1months of raw materials (fabric and accessories) and has ~ 3 months of Work in Process inventory. Moreover the company maintains ~4 months of inventory of finished goods at its warehouse and ~3 months of inventory at its stores. According to the company, maintaining high inventory of finished goods at the warehouse is required so that the company is able to supply to the new stores immediately as they are opened. Considering that the company had been opening new stores at a very fast rate, high inventory of finished goods is thus being maintained by the company at its warehouse.

**Fund flow from operations had been negative due to strong growth coupled with high working capital intensity**

<b>In Rs. Crore</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Fund Flow from Operations (FFO)	(3.49)	(18.13)	2.43	(6.97)
Gross Cash Flows	(3.67)	(20.53)	(3.32)	(13.76)
Retained Cash Flows	(3.67)	(20.53)	(3.32)	(13.76)
Free Cash Flows	(4.49)	(26.55)	(11.84)	(18.48)

## Contingent Liabilities

As on March 31, 2010 contingent liabilities not provided for by the company are as mentioned below:

Particulars	March 31, 2009	March 31, 2010
Guarantee given to bank for borrowings by others	1.77	1.77
Service Tax on rent not paid by the company	-	0.79
Cases filed by employees	0.01	0.30
Demand raised by VAT authorities	1.00	0.19
Demand raised by ESIC	0.04	0.04
<b>Total</b>	<b>2.83</b>	<b>3.09</b>

Amount in Rs. crore

Source: Annual Report

## Litigation History:

The litigations pertaining to the company are as mentioned below (as on August 31, 2009):

<i>Nature of litigation</i>	<i>No. of cases</i>
Criminal proceedings (2 cases under Factory Act, 1948* filed against the company and 1 under Negotiable Instruments Act filed by company)	3
Civil Proceedings	2
Labor related issues	61
ESIC case	1
VAT related cases/notices	36
Arbitration Case	1
Legal notices issued by the company	5

\* In two cases under Factories Act filed by the State against the company, the Chairman and Managing Director has also been made a party  
Source: DRHP

### *Criminal Proceedings*

Two cases have been filed by the State against the company for the reason that the company is running the factory without obtaining the license and registration from the Chief Inspector of Factories, Delhi. The last hearing of these cases were in September 2009 and October 2009.

One case had been filed by the company against M/s Sahib Export (India) for the reason that the cheque issued by the latter to the company for purchase of buttons was dishonored.

### *Civil Proceedings*

One case had been filed against the company alleging the breach of oral agreement. According to the plaintiff, CRIL had assured that it would be supplying its goods to the plaintiff to be sold through its shop. However, according to the plaintiff, this was not honored and the plaintiff had to incur shop renovation and opening expenses

One case has been filed by the company against one of its dealer (franchisee) for breach of agreement

### *Labor related issues*

A number of cases have been filed against the company by workmen alleging that the company had not provided any appointment letter, were not provided benefits under various laws and their services were illegally terminated.

*ESIC Case*

The company has challenged the order of the ESI authority which had observed the one of the company's factory comes under the ambit of ESI Act and the company is therefore required to pay contribution in accordance with the act

*Arbitration case*

One case has been filed by the company against M/s Ambience Infrastructure Pvt. Ltd. wherein according to the company; the MOU signed between the two for leasing out a shop in a shopping mall in Gurgaon was not honored by M/s Ambience Infrastructure Pvt. Ltd. According to CRIL, the MOU was cancelled by M/s Ambience Infrastructure Pvt. Ltd and the security amount was refunded to the CRIL.

*Legal notices issued by the company*

Five legal notices have been issued by the company to various mall developers wherein according to the company it has neither received the possession of the shop nor had the lease deed been signed.

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