

Press Release

Ashoka

May 16, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	SMERA B+/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.25.00 crore bank facilities of Ashoka. The outlook is '**Stable**'.

Established in April 2014, Ashoka is a partnership firm based out of Vallioor in Tirunelveli (Tamil Nadu). The firm is engaged in retailing of readymade garments for men, women and kids from its five storied showroom in Vallioor. The partners are Mr. Antony Jeyaraj, Mr. Antony Selva Kumar, Mrs. Irine Veronica Priya Latha, and Mrs. Anna Rathi. The firm commenced its operations in May, 2017.

Key Rating Drivers

Strengths

Extensive experience of partners:

The partners have more than two decades of experience in retail sales and trading of readymade garments through their family business prior to forming this firm. The firm has reported healthy revenues of about Rs.88 crore for FY2018. SMERA believes that the firm's business risk profile is expected to improve over the medium term supported by the partners' local and industry presence and their relations with the suppliers.

Weaknesses

Working capital intensive nature of operations:

The operations are working capital intensive as reflected by inventory days of 90 (Provisional) as on March 31, 2018. However, the same is likely to go up over the medium term to maintain several models across the target customers of kids, men and womens wear. The higher levels of inventory and meagre net worth resulted in high utilisation of bank lines for the past six months through March 31, 2018.

Weak financial risk profile:

The financial risk profile of the firm remains weak with low net worth Rs.3.70 crore and high gearing of about 5.2 times (Provisional) as on March 31, 2018. Further, the low profitability in the initial phase and impending debt repayments will result in a stretched liquidity position in the near term.

Intense competition and fragmented industry:

The fashion industry is constantly evolving, and customer styles and preferences are constantly changing. The ability of the firm to cater to this demand will continue to drive sales. The firm faces stiff competition from other large and organised players in the industry, which limits its bargaining power with customers and suppliers, and hence, exerts pressure on its margins.

Outlook: Stable

SMERA believes that Ashoka will maintain a 'Stable' outlook in the medium term on account of the experienced Partners. The outlook may be revised to 'Positive' in case of higher-than-expected revenues are registered while improving the profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in the working capital cycle, thus, exerting pressure on the liquidity.

About the rated entity Financials

Not Applicable

Any other information:

Not Applicable

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of ASHOKA to arrive at this rating.

Applicable Criteria:

- ❑ Trading Entities: <https://www.smerra.in/criteria-trading.htm>
- ❑ Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- ❑ Default Recognition: <https://www.smerra.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Rating History (Upto last three years):

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA B+/Stable (Assigned)

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ABOUT SMERA

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