

## Press Release

### Brand Studio Lifestyle Private Limited

August 02, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 22.50 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs. 22.50 crore bank facilities of Brand Studio Lifestyle Private Limited. The outlook is '**Stable**'.

Incorporated in 2014, Brand Studio Lifestyle Private Limited (BSLPL) a Bangalore, Karnataka based private limited company is engaged in supply and sale of readymade garments through e-commerce platform and retail chains. BSLPL was promoted by Mr. Anant Tanted and Mr. Rohit Jaiswal. And currently company owns eight different brands like Locomotive, Highlander, Mark Taylor, Black Coffee, Folklore, Visudh, Tokyo Talkies.

## Key Rating Drivers

### Strengths

#### • Experienced management

Established in 2014, Brand Studio Lifestyle Private Limited (BSLPL) promoters and top management have immense experience in the readymade garment business. Mr. Shyam Prasad, Director/CEO has experience of more than two decades across retail operations and management and has been previously associated with reputed companies like Reliance Retail and Inmark Retail. Further, BSLPL has seasoned team across the design & design management, marketing, planning & strategy in handling the volumes. About 70 per cent of BSLPL's revenues are derived from ecommerce platforms such as Flipkart, Myntra, Jabong and Ajio among others; remaining 30 per cent from retail chains like Reliance Trends and Pantaloons. BSLPL has in-house design team, which shares the new styles (of ladies, gent's garments) with the garment supplier for manufacture and supply. Further, the healthy client portfolio and low counterparty risk supported BSLPL in getting the required quantum of material on back-to-back basis from its suppliers with whom the management has cordial relations. ACUITE believes that BSLPL will continue to benefit from its experienced management and established relation with its customers and suppliers over the medium term.

#### • Steady growth in revenues and profitability

BSLPL though with a limited vintage of operations, have reported revenue growth at a compound annual growth rate (CAGR) of 56 per cent over three years ending FY 2018 (refers to financial year, April 1st to March 31st) at Rs. Rs.136.60 crores (provisional). This is attributed to increasing penetration of RMG purchases through E-Commerce platforms by the consumers, new fashion trends, frequent change of the shelves by the consumers, and new offerings and season sales by the retail chains pushed the demand for BSLPL. Further, the operating margins have also improved from 0.84 per cent in FY2016 to around 2.80 per cent in FY2018, on the back of economies of scale of operations and moderation in the promotion and discount expenses. Acuite believes that the BSLPL revenues and profits are expected to improve at a steady level as the company is undergoing negotiations with retail chains like Central group and other ecommerce platforms to further expand their brands.

### Weaknesses

#### • Average financial risk profile and working capital management

The financial risk profile of company is average marked by high gearing (debt-to-equity) and high total outside liabilities to total net worth (TOLTNW) though underpinned by comfortable debt protection metrics. Its gearing is high at 2.49 times as on March 31, 2018 (provisional) though an improvement from 3.14 times as on March 31, 2017. The total debt of Rs.18.31 cores includes short term

loan of Rs.9.99 crore, unsecured loan of Rs.0.34 crore and long term loan of Rs.7.98 crore as on March 31, 2018; its net worth is modest at Rs.7.35 crore as on March 2018(provisional). Long term loan is for purchase of a commercial property which is leased out. Its debt protection metrics are comfortable: interest coverage ratio (ICR) at 2.22 times and net cash accruals to total debt (NCA/TD) of about 0.11 times in FY2018. Its working capital cycle is high with gross current asset days (GCA) of about 203 days in FY2018 against 160 days in FY2017; its inventory days are about 104 days, receivables at about three months; the same is supported by high creditor days of about 218 in FY2018. High payable days resulted in high TOLTNW of about 10 times in FY2018; however, the same is partly mitigated by back-to-back support by the supplier considering the low counterparty risk of BSLPL's clientele. About 56 per cent growth in revenues over FY2017 has resulted in high utilization of its bank lines at more than 80 per cent. Acuite believes that though the cash accruals are moderate at about Rs.2.04 - 5.30 crore over the medium term, however the incremental working capital requirement for the revenue growth at 20-25 per cent is expected to constrain the financial risk profile over the medium term.

#### • Competitive and fragmented industry

BSLPL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of organized and unorganized players in the sector limits bargaining power with the customers, besides moderate revenues in the segment. Further, with the swift change in the style, and tastes of the buyers may result in unsold inventory exerting pressure on the profitability.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of BSLPL

#### Outlook: Stable

Acuite believes the outlook on BSLPL will remain 'Stable' over the medium term on account experienced management. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while maintaining the profitability and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	136.60	96.64	56.05
EBITDA	Rs. Cr.	3.82	1.19	0.47
PAT	Rs. Cr.	1.78	0.51	0.32
EBITDA Margin	(%)	2.80	1.23	0.84
PAT Margin	(%)	1.30	0.53	0.57
ROCE	(%)	25.95	18.26	41.71
Total Debt/Tangible Net Worth	Times	2.49	3.14	0.00
PBDIT/Interest	Times	2.22	2.42	196.35
Total Debt/PBDIT	Times	3.59	6.69	0.00
Gross Current Assets (Days)	Days	203	160	156

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### Note on complexity levels of the rated instrument

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

### 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB- / Stable

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### About Acuite Ratings & Research:

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