

## Press Release

### Brand Studio Lifestyle Private Limited

July 29, 2020



#### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs. 22.50 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB/ Stable)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 22.50 Crore bank facilities of Brand Studio Lifestyle Private Limited (BSLPL). The outlook is '**Stable**'.

The upgrade in rating is on account of the continuous improvement in revenues and debt protection metrics arising out of Mynta brand accelerator program. Further, Acuité expects the company to benefit from the Mynta's Agreement going ahead.

#### About the Company

Bangalore-based, Brand Studio Lifestyle Private Limited (BSLPL) was incorporated in 2014 by Mr. Shyam Prasad, Mr. Anant Tanted and Mr. Rohit Jaiswal. BSLPL is engaged in the sale of readymade garments through online portals such as Mynta, Jabong, Flipkart as well as offline markets through Reliance, Pantaloons and Lifestyle, among others. BSLPL owns eight different brands viz. Locomotive, Highlander, Mark Taylor, Black Coffee, Folklore, Visudh, Tokyo Talkies.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Experienced management and improving business risk profile**

BSLPL is promoted by Mr. Anant Tanted and Mr. Rohit Jaiswal, who possess almost a decade experience. The experience of the promoters has helped BSLPL to establish eight clothing brands. BSLPL derives 70% of revenue through online portals like, Mynta, Jabong and rests from offline market places.

Further, BSLPL has registered a turnover of Rs.375.51 crore in FY2020 (Provisional), growth from Rs.255.83 crore in FY2019. The turnover stood at Rs.114.11 crore in FY2018. The growth is mainly supported by brand accelerator agreement signed with Mynta. FK Mynta Holding Private Limited (FKMHPL) would be investing in BSLPL's equity shares in the form of Compulsorily Convertible Preference Shares or (CCPS). FKMHPPL has infused Rs.67.99 crore in FY2019 and expected to infuse Rs.34.85 crore in FY2021. Besides, FKMHPPL would be charging hefty selling expenses as per agreement.

Acuité believes that BSLPL would continue to benefit from promoters' vintage as well as deal with Mynta, which would further support in improvement of the business risk profile over the medium term.

- **Moderate financial risk profile**

BSLPL has moderate financial risk profile marked by moderate net worth, low gearing and moderate debt protection metrics. The net worth of BSLPL stood at Rs.22.07 crore as on 31 March 2020 (Provisional) as against Rs.18.92 crore as on 31 March 2019. The gearing (debt-equity) stood at 0.92 times as on 31 March 2020 (Provisional) as against 1.17 times as on 31 March 2019. The total debt of Rs.20.23 crore as on 31 March 2020 (Provisional) mainly comprises working capital borrowings of Rs.12.47 crore and term loans of Rs.7.75 crore. The coverage indicators are also moderate marked by Interest Coverage Ratio (ICR) which stood at 2.66 times for FY2020 (Provisional) as against negative 17.26 times for FY2019. DSCR stood at 2.37 times for FY2020 (Provisional) as against negative 14.54 times for FY2019. TOL/TNW stood at 8.20 times as on 31 March 2020 (Provisional) as against 7.00 times as on 31 March 2019. Acuité believes that the financial risk profile would likely to improve over near term on account of infusion of funds by FK Mynta Holding Private Limited.

## Weaknesses

### • Working capital intensive operations

BSLPL's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 181 in FY2020 (Provisional) as against 198 in FY2019. GCA days are mainly dominated by high inventory days of 114 in FY2020 (Provisional) as against 92 in FY2019. The average debtors ranged between 53-119 days for the last three years through FY2020 (Provisional). This has led to higher utilisation of working capital limits. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

### • Highly fragmented and competitive industry

BSLPL operates in a highly competitive and fragmented industry characterised by a large number of players. Further, its current profitability remains modest, given the hefty selling expenses to be incurred under the agreement with Myntra and competition from others in the segment.

## Liquidity position: Adequate

Liquidity profile of BSLPL is adequately reflected by adequate net cash accruals against its maturing debt obligations. BSLPL has reported cash accruals of Rs.3.98 crore in FY2020 (Provisional) and expected to generate cash accruals in the range of Rs.6-15.00 crore over the medium term. The repayment obligations are expected to remain around Rs.0.37 crore for the period FY2021-2023. The utilisation of working capital limits more than 90 per cent. The current ratio stood at 1.09 times in FY2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual against no major debt repayments.

## Rating Sensitivity

- Increase in revenues while improvement in profitability
- Elongation in the working capital cycle

## Material covenants

None

## Outlook: Stable

Acuité believes that the outlook on BSLPL will remain 'Stable' over the medium term on account of the experienced management and its improving business risk profile. The outlook may be revised to 'Positive' in case of its ability to further increase its scale of operations and improving profitability. The outlook may be revised to 'Negative' in case the company fails to increase its scale of operations or deterioration in the profitability and elongated working capital cycle.

## About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	375.51	255.83
PAT	Rs. Cr.	3.15	-56.23
PAT Margin	(%)	0.84	-21.98
Total Debt/Tangible Net Worth	Times	0.92	1.17
PBDIT/Interest	Times	2.66	-17.26

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Jun-2020	Cash Credit	Long Term	15.00	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE BB / Stable (Reaffirmed)
11-Apr-2019	Cash Credit	Long Term	15.00	ACUITE BB / Stable (Upgraded from ACUITE BB- / Stable)
	Term Loan	Long Term	7.50	ACUITE BB / Stable (Upgraded from ACUITE BB- / Stable)
02-Aug-2018	Cash Credit	Long Term	15.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	7.50	ACUITE BB- / Stable (Assigned)

**\*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 (Upgraded from ACUITE BB/ Stable)
Term Loan	Not Available	Not Applicable	Not Available	7.50	ACUITE BB+ / Stable (Upgraded from ACUITE BB/ Stable)

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**About Acuité Ratings & Research:**

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