

Press Release

AIFL Retails Private Limited

September 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+** (read as ACUITE BBB plus) on the Rs. 20.00 crore bank facilities of AIFL Retails Private Limited. The outlook is '**Stable**'.

AIFL Retails Private Limited is a 100% subsidiary of Ashapura Intimates Fashion Limited, incorporated in April 2018. With the incorporation of AIFL Retails Private Limited, the company plans to open up 100 retail outlets. The company will sell 3 brands under the AIFL Retail Private Limited. The company will purchase manufactured finished goods from the job workers and sell it in their retail outlets.

Key Rating Drivers

Strengths

- **Backing from the parent company**

AIFL Retails Private Limited is a fully owned subsidiary of Ashapura Intimates Fashion Limited. Ashapura Intimates Fashion Limited is a listed company incorporated in 2006 and is a major fashion house involved in selling their brand of clothes - Tricci, Valentine and Night & Day through different portals. AIFL Retails Private Limited has a corporate backing from its parent company, Ashapura Intimates fashion Limited. AIFL Retails Private Limited also enjoys a personal guarantee from the promoter.

- **Catering to all age groups**

The brands sold by AIFL Retails Private Limited will cater to all age groups. Also, these brands sell clothes comfortable for all types of surroundings such as parties, loungewear and night wear among others. This will help the company in catering to different needs of clothes from different customers.

- **Established brand image**

AIFL Retails Private Limited will be selling 3 brands under their retail outlets which include Valentine, Tricci and Night & Day. These brands have been sold previously in other retail shops and multi-brand outlets. Hence, these brands already have a market presence and a brand image attached to them. Thus, having an established brand image coupled with a loyal customer base will make it easier for the exclusive retail outlets to generate revenue and expand their base.

Weaknesses

- **Expansion plans**

The company has expansion plans to open 100 retail outlets in the coming years. Given the time frame, the company is going for rapid expansion of their retail plans and is going to induce heavy capital expenditure for the same. The company will have to maintain their financial risk profile if they are going to incur such heavy expenses.

- **Exposure to intense competition**

The presence of regional, national & international garment players in India is expected to intensify the competitive landscape for existing players like AIFL. It also faces stiff competition from local players which would limit the company's ability to increase revenues significantly while maintaining margins. The credit profile of the company, over the medium term, will continue to be impacted by the geographical concentration of its stores in India coupled with increasing competition from other players.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of AIFL Retails Private Limited and Ashapura Intimates Fashion Limited, together referred to as Ashapura Group (AG) to arrive at the rating. The consolidation is due to the common promoters and future operational synergies within the group.

Outlook: Stable

Acuité believes that AIFL Retails Private Limited will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues and profits while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile, operating metrics or stretch in the working capital cycle.

About the Group

The Ashapura Group is engaged in the selling of readymade garments business. The company sells the readymade garments under their 3 brands - Tricci, Valentine and Night & Day. The company has incorporated 4 fully owned subsidiary companies for handling the retail business, export business, e-commerce business and raw material sourcing business respectively.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	384.30	312.30	252.80
EBITDA	Rs. Cr.	99.20	54.71	38.16
PAT	Rs. Cr.	62.20	26.95	15.50
EBITDA Margin	(%)	25.81	17.52	15.09
PAT Margin	(%)	16.19	8.63	6.13
ROCE	(%)	33.36	21.93	33.52
Total Debt/Tangible Net Worth	Times	0.42	0.73	0.62
PBDIT/Interest	Times	5.39	3.85	3.28
Total Debt/PBDIT	Times	0.95	2.00	2.09
Gross Current Assets (Days)	Days	281	325	300

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	20.00	ACUITE BBB+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Viren Rangparia Analyst - Rating Operations Tel: 022-67141363 viren.rangparia@acuiteratings.in	

About Acuité Ratings & Research:

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