

## Press Release

**AIFL Retails Private Limited**

September 25, 2018

**Rating Reaffirmed & Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 65.00 Cr. (Enhanced from Rs. 20.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the 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**'.

Acuite has assigned long-term rating of '**ACUITE BBB+**' (read as **ACUITE BBB plus**) to the Rs. 45.00 crore bank facilities of AIFL Retails Private Limited. The outlook is '**Stable**'.

AIFL Retails Private Limited (ARPL) is a 100 percent subsidiary of Ashapura Intimates Fashion Limited, incorporated in April 2018. With the incorporation of ARPL, the company plans to open up 100 retail outlets. The company will sell 3 brands under the ARPL. 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**

ARPL 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. ARPL has a corporate backing from its parent company, Ashapura Intimates fashion Limited and enjoys a personal guarantee from the promoter.

- **Catering to all age groups**

The brands sold by ARPL will cater to all age groups. Also, these brands sell garments comfortable for all types of surroundings such as party wear, lounge wear and night wear among others. This will help the company in catering to different needs of clothes from different customers.

- **Established brand image**

ARPL will be selling 3 brands in 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 business 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 ARPL. 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

Acuite 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

Acuite believes that ARPL 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 business of selling readymade garments. The company sells the readymade garments under their own 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Rating Action / Outlook
05-Sep-2018	Cash Credit	Long Term	20.00	ACUITE BBB+ / Stable (Assgined)

**\*Annexure – Details of instruments rated**

Facilities	Issuance Date	Rate	Date	(Rs. Cr.)	Rating Action / Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE BBB+ / Stable (Assigned)

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**About Acuité Ratings & Research:**

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