



Press Release
AIFL Retails Private Limited

October 19, 2018

Rating Downgraded

Total Bank Facilities Rated*	Rs. 65.00 Cr.
Long Term Rating	ACUITE BB (Placed on rating watch with negative implications) (Downgraded from ACUITE BBB+/Stable)

* Refer Annexure for details

Rating Rationale

ACUITE has downgraded the long term rating to 'ACUITE BB' (read as ACUITE double B) from 'ACUITE BBB+' (read as ACUITE triple B plus) on the Rs. 65.00 cr. bank facilities of AIFL Retails Private Limited (ARPL). The rating has also been placed on watch with negative implications.

The downgrade is in view of recent developments at the parent company, Ashapura Intimates Fashion Limited (AIFL). The principal promoter of the company, Mr. Harshad Thakkar, has been missing (AIFL has intimated stock exchanges of filing of missing person complaint filed with Mumbai Police). The share price of the company has observed a sharp decline in the last one month. A portion of the promoter's equity stake in AIFL has been invoked by the lenders.

Acuité is currently monitoring the developments and will resolve the rating watch once clarity emerges.

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.

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 expected operational synergies.

Key Rating Drivers

Strengths

- **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

- **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.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	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

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities-<https://www.acuite.in/view-rating-criteria-6.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- FinancialRatiosAndAdjustments-<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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
25-Sept-18	Cash Credit	Long term	20.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	45.00	ACUITE BBB+/Stable (Assigned)
05-Sept-18	Cash Credit	Long Term	20.00	ACUITE BBB+/Stable (Assigned)

***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	20.00	ACUITE BB (Rating watch with negative implications)
Term loans	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE BB (Rating watch with negative implications)

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About Acuité Ratings & Research:

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