

Press Release

Bewakoof Brands Private Limited

May 07, 2019

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 its long-term rating of '**ACUITE BBB**' (read as **ACUITE BBB**) on the Rs. 20.00 crore bank facilities of Bewakoof Brands Private Limited. The outlook is '**Stable**'.

Bewakoof Brands Private Limited (BBPL), incorporated in 2011 by Mr. Prabhkirandeep Singh and Mr. Siddharth Munot. The company is engaged in online retailing of merchandise including theme based garments, bags, shoes and mobile covers through its website and mobile application (bewakoof.com) across India.

The company procures its major raw material i.e. grey fabric and yarn from Tirupur and does further process of knitting, stitching and designing in its own manufacturing unit in Biwandi, Mumbai. The company has worked as merchandise partner for Hindi films like Gunday, Bewakoofiyen, Gangs of Wasseypur, Boss, Sholay and latest releases like URI: The Surgical Strike and is currently merchandise partner for production houses like Viacom 18, Balaji Telefilms, Yash Raj Films, DC comics, Marvels, Disney, Garfield and WWE among others and future projects also include Shinchon among other leading brands.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of BBPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

BBPL has been promoted by Mr. Prabhkirandeep Singh and Mr. Siddharth Munot alumnus of the Indian Institute of Technology, Bombay. Mr. Singh started his first business venture with Bewakoof.com in the year 2011. Mr. Singh looks after designing, marketing, front-end technology, customer care, investor relations and Mr. Munot looks after operations, accounts and finance, back-end technology, commercial and human resources. Management is equally supported by a team of professionals. BBPL constantly changes and updates its product line based on the current trends has helped the company secure its market presence.

Acuité believes that the extensive experience of its promoters and established brand position will strengthen the business risk profile of BBPL in the near to medium term.

• Moderate financial risk profile and comfortable liquidity

BBPL reported annual turnover of Rs. 70.80 crore in FY2018 an increase from Rs. 38.06 crore in FY2017. Further, company has already achieved Rs. 148 crore for the period April to February 2019 and the revenues are expected to remain in the range of Rs. 150-155 crore in FY2019 reflecting a CAGR growth of around 155 per cent over the last three years through 2019. The healthy growth in revenues is attributable to expansion of operations by adding newer products and launching of new schemes, targeting customer base by expanding presence online on social media platforms, leading to increase in volume sales.

BBPL has moderate financial risk profile marked by moderate net worth, low gearing and healthy debt protection measures. Company's net worth stood at Rs.14.28 crore as on March 31, 2018 against Rs. 4.27 crore as on March 31, 2017 (increase is majorly on account of issue of preference shares at premium). Acuité believes that the net worth of the company will remain in the range of Rs.19.00 crore

to Rs.35.00 crore over the medium term backed by its healthy revenue growth and stable operating margins.

The leverage and coverage ratios continue to remain healthy. The gearing remained low at 0.42 times as on March 31, 2018 against 1.21 times as on March 31, 2017. The moderate profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage of 4.25 times and NCA/TD of 0.58 times. In FY2018, BBPL generated net cash accruals of Rs.3.46 crore as against debt repayment obligation of Rs.0.69 crore. The net cash accruals are expected to improve and remain in the range of Rs.7.00 -11.00 crore over the medium term on account of absence of any major debt funded capex.

Acuite believes that the debt protection metrics will remain healthy on account of healthy revenue visibility and stable operating margins over the medium term.

Weaknesses

• Moderately intensive working capital operations

BBPL's operations are moderately working capital intensive reflected in the GCA days of 112 in FY2018 as compared to 92 days in FY2017. The GCA days are mainly dominated by inventory holding period of 69 days in FY2018 as against 79 days in FY2017. The company being engaged in e-commerce business, and keeps raw material as well as finished products of inventory to meet the immediate demand from its customers. The collection period stood at 25 in FY2018 as against 9 days in FY2017. Of the total sales ~35 per cent are prepaid orders in which proceeds are collected in T+1/ T+2 days. Balance 65 per cent orders are based on cash on delivery, in which case payment is received from the logistic partners fortnightly. The working capital utilization stood at around 75-80 per cent.

• Exposed to intense competition

BBPL operates in a highly competitive ecommerce medium of the merchandise industry which is characterized by moderately low entry barriers and a large number of organized and unorganized players, both online and offline leading to intense competition. The industry is exposed to inherent risk of susceptibility to changes in taste and preferences of the end consumers and constant updation of designs is required for the company to sustain its market presence. Future scalability in operations is largely dependent on strong pipeline across various segments and categories/ themes.

Liquidity Position

BBPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 112 in FY 2018. The company has unencumbered cash and bank balances of Rs.1.50 crore as on March 31, 2018. Current ratio stood at 1.56 times as on March 31, 2018. Acuite believes that liquidity of the company is likely to remain healthy over the medium term on account of healthy revenue growth leading to healthy cash accrual against its repayments over the medium term.

Outlook: Stable

Acuite believes that BBPL will maintain a 'Stable' financial risk profile over the medium term backed by its experienced management, healthy revenue profile and comfortable debt protection metrics. The outlook may be revised to 'Positive' in case of higher-than-expected growth in operating income while maintaining its profitability margins. The outlook may be revised to 'Negative' in case of increased deterioration in liquidity position of the company most likely as a result of lower revenues and profitability and increase in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.80	38.06	23.93
EBITDA	Rs. Cr.	4.39	1.67	0.64
PAT	Rs. Cr.	1.99	0.30	0.82
EBITDA Margin	(%)	6.20	4.38	2.69
PAT Margin	(%)	2.82	0.80	3.44
ROCE	(%)	21.13	12.73	15.11
Total Debt/Tangible Net Worth	Times	0.42	1.21	0.45
PBDIT/Interest	Times	4.25	3.66	1.95

Total Debt/PBDIT	Times	1.33	3.05	2.97
Gross Current Assets (Days)	Days	112	92	105

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	6.00	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.58	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE BBB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.02	ACUITE BBB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Manmitha Sodhi Analyst - Rating Operations Tel: 022-49294031 manmitha.sodhi@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.*