

Press Release

Bewakoof Brands Private Limited

January 17, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB Stable Reaffirmed	
Total	20.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB**' (**read as ACUITE Double B**) on the Rs. 20.00 crore bank facilities of Bewakoof Brands Private Limited (BBPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmed

The rating derives its strength from experience of the promoters and established track record of operations of BBPL group. However, the rating is constrained on account of declining operating income, negative operating margins and below average financial risk profile. The working capital intensive nature of operations of the Group also constrain the rating.

About Company

Bewakoof Brands Private Limited (BBPL) is a Mumbai based company 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) and other e-commerce portals across India.

About the Group

BBPL along with its wholly owned subsidiary Next Tree Products Private Limited (NTPPL) are together referred to as 'Bewakoof Group'. The unsold obsolete stock of BBPL are sold to NTPPL which are later sold via physical stores of the Group located at Bhiwandi and Khargar.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Bewakoof Brands Private Limited (BBPL) and Next Tree Products Private Limited (NTPPL), together the entities have been referred to as Bewakoof Group (BG). The consolidation is in view of the common management, strong operational & financial linkages between the entities.

Key Rating Drivers

Strengths

> Experienced management and established track record of operations

Incorporated in 2011 by Mr. Prabhkirandeep Singh and Mr. Siddharth Munot, the Bewakoof Group is currently managed by its founders along with a team of experienced professionals. The Group has raised funds from various private equity and angel investor firms and these

firms also have their representatives on the Board of BBPL. The Group raised ~Rs. 56 Cr in FY2020 and ~Rs.33 Cr in FY2021(Provisional) in the form of equity and convertible preference share capital and is expected to raise another ~Rs.50 Cr during the period FY2022-23. The Group caters to a range of apparels and fashion products namely mobile covers and bags. It has also recently launched an in-house cosmetics brand 'Cosmos'. However, the Group's unique selling point is its themed T-Shirts. Majority of its product wise revenue is derived from sale of its T-shirts. The extensive experience of the promoters and its USP of themed T-shirt has helped the company to improve the revenue in HY1FY 2022 and they have done a sale of Rs 103.30 Cr and are expecting to close above Rs 215 Cr in this fiscal year surpassing the operating income achieved of Rs. 135.63 Cr in FY2021 (Provisional) and Rs.208.47 Cr in FY2020. The income in FY2021 was impacted mainly because of Covid-19 induced lockdown. As delivery of only essential items was allowed for nearly three months in FY2021, the income of BBPL group was significantly impacted.

Acuite believes at Bewakoof Group with continue benefits from the experience of its management and established track record of its operations.

Weaknesses

> Below Average financial risk profile

The Group has a below average financial risk profile marked by healthy networth, gearing and poor debt protection metrics. The tangible net-worth of the Group stood at Rs.61.51 Cr as on March 31,2021(Provisional) as against Rs.43.52 Cr as on March 31, 2020. The improvement is mainly on account of additional funds raised to the tune of ~Rs.33.00 Cr during the year. The total outstanding debt stood at Rs. 28.92 Cr as on March 31, 2021 as against Rs.21.19 Cr as on March 31, 2020. The overall gearing stood at 0.47 times as on March 31, 2021 as against 0.49 times as on March 31, 2020 and 1.48 times as on March 31, 2019. The debt protection metrics was poor as the group incurred operating losses. The interest coverage stood at (4.60) times in FY2021 (Provisional) as against (5.35) times in FY2020 and 3.22 times in FY2019. NCA to Total Debt stood at (0.50) times as on March 31, 2021 (Provisional) as against (1.12) times as on March 31, 2020. The DSCR stood at (2.04) times in FY2021 as against (3.11) times in FY2020 and 1.11 times in FY2019.

Acuite believes Bewakoof Group's ability to improve its financial risk profile over the medium term will a key monitorable.

> Working capital intensive nature of operations

The operations of the Group are working capital intensive in nature as reflected by high GCA days of 254 days as on March 31, 2021 (Provisional) as against 81 days as on March 31, 2020 and 105 days as on March 31, 2019. The GCA days are driven by inventory days as the same stood at 132 days as on March 31, 2021 (Provisional) as against 60 days as on March 31, 2020. Being mainly into online retail sale, the debtor days were low as they ranged between 7-31days during the period FY19-21(Provisional). The working capital cycle is significantly supported by its suppliers as the creditor days stood at 247 days as on March 31, 2021 (Provisional) as against 115 days as on March 31, 2020 and 148 days as on March 31, 2019.

Acuite expects Bewakoof Group's ability to limit further elongation its working capital cycle will remain a key rating sensitivity.

Rating Sensitivities

- > Improvement in scale of operations and porfitability
- > Any further elongation of working capital cycle
- > Improvement in debt protection metrics

Material Covenants

None

Liquidity Position: Stretched

The Liquidity position of the Group is Stretched. The Group generated net cash accruals of Rs. (14.39) Cr in FY2021 (Provisional) and Rs.(23.80) Cr in FY2020 while the repayment obligations for

the same period stood at RS.3.18 Cr and Rs. 2.57 Cr respectively. The gap in funding requirement was met by additional raising of funds from various private equity and angel investors. The Group's net cash accruals is expected to remain negative for FY22-23 and the debt repayment obligation for the same period ranges between Rs.2-7.65 Cr. The gap is expected to be met through raising of additional funds. The Group has raised funds ~Rs.33 Cr in FY2021 (Provisional) and ~Rs.56 Cr in FY2020 and plans to raise another Rs.50 Cr over the period FY22-23. The unencumbered cash and bank balance as on March 31, 2021 (Provisional) stood at Rs.24.58 Cr. The average bank limit utilisation for twelve months ended December, 2021 ranged between 89-98 percent. Acuite believes that the liquidity position of the Group is likely to remain stretched over the medium term on account of insufficient cash accruals against debt repayment obligations and low unutilised limits.

Outlook: Stable

Acuité believes that Bewakoof Group will maintain a stable outlook over medium term on account of extensive experience of its promoters, established track record of operations and planned raising of additional funds over the medium term. The outlook may be revised to 'Positive' in case the company achieves higher than expected improvement in its profitability and debt protection metrics while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or further elongation of working capital cycle adversely affecting its liquidity position.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	135.63	208.47
PAT	Rs. Cr.	(18.39)	(28.26)
PAT Margin	(%)	(13.56)	(13.55)
Total Debt/Tangible Net Worth	Times	0.47	0.49
PBDIT/Interest	Times	(4.60)	(5.35)

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

CARE Ratings vide its press release dated November 01, 2021 had denoted the rating of Bewakoof Brands Private Limited as 'CARE B+/Stable; Downgraded, ISSUER NOT COOPERATING'.

ICRA Ratings vide its press release dated September 27, 2021 had denoted the rating of Bewakoof Brands Private Limited as 'ICRA BB+/Stable; Downgraded, ISSUER NOT COOPERATING'.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	7.00	ACUITE BB (Downgraded and Issuer not co-operating*)

11 Oct 2021	Term Loan	Long Term	2.40	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.02	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.58	ACUITE BB (Downgraded and Issuer not co-operating*)
16 Jul 2020	Term Loan	Long Term	2.58	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.40	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	7.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.02	ACUITE BB+ (Downgraded and Issuer not co-operating*)
07 May 2019	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	2.02	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.58	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.40	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.02	ACUITE BB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.58	ACUITE BB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.40	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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