

## Press Release

### Artimas Fashions Private Limited

May 28, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 5.00 Cr.
<b>Long Term Rating</b>	ACUITE AA-/ Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long term rating of **ACUITEAA-** (read as **ACUITEdouble A minus**) to the Rs. 5.00 Cr.bank facilities of Artimas Fashions Private Limited (ARPL).The outlook is '**Stable**'.

ARPL, a wholly owned subsidiary of Lux Industries Limited (rated (ACUITE AA/Stable/A1+), was incorporated in 2010. ARPL has started the production of hosiery fabric/ innerwear on job work basis through Lux Industries Limited and sale under the brand "One8" owned by Mr. Virat Kohli. ARPL was promoted by the Lux Group with an objective to tap the premium innerwear segment. The company has entered into a brand license agreement with (a) Mr. Virat Kohli (b) CSE Consulting LLP, who owns, controls and are managers of the Brand "One8" and (c) Lux Industries Limited, the holding company of ARPL. ARPL would pay a royalty to Virat Kohli and CSE Consulting LLP for using the brand 'One8'. The royalty payment has been guaranteed by Lux Industries Limited.

### Analytical Approach

While arriving at the rating of ARPL, Acuite has taken into account a strong level of support from the parent company, Lux Industries Limited with which ARPL enjoys significant operational and financial linkages. Moreover, Lux Industries Limited has provided corporate guarantee to the bank facilities of ARPL. Since ARPL is a wholly owned subsidiary of Lux Industries Limited, they are expected to receive management support from the latter. Further, Acuite has also factored in the strategic importance of ARPL for Lux Industries Limited as its aims to enhance its presence in the premium hosiery segment in India.

### Key Rating Drivers

#### Strengths

##### Strong parentage

ARPL being part of the Lux group, is likely to benefit from the strong market position and support of its parent company. Lux Industries Limited has a long track of over six decades in hosiery manufacturing and is one of the established players in the domestic hosiery market. The group has a wide geographical presence with outreach across the country. Lux Industries has recorded consolidated revenues and profits of Rs. 1207.05 Cr and Rs. 98.79 Cr. in FY19 respectively. Acuite believes the strong parentage along with the market position and experienced management of Lux Group will help ARPL to ramp up its operations and establish itself in the premium innerwear segment in India.

The rating further derives comfort from the financial support extended by Lux Industries Limited to ARPL in the form of corporate guarantee towards their bank facilities. In addition, Lux Industries Limited has also provided guarantee towards the royalty payment for using the brand "One8". Acuite believes that the extent of support from the parent will remain a key credit driver for ARPL.

### Long term agreement with celebrity brand

ARPL has entered into a eight year agreement with Virat Kohli and CSE Consulting LLP for using the brand "One8" which is valid till Nov'2025. Further, Virat Kohli will also engage personally in promotion of the brand during the term of the contract. Acuite believes ARPL will benefit from the agreement and make its presence in the premium segment due to the strong brand appeal of Virat Kohli to the young consumers. ARPL will also receive the entire distribution support of Lux Industries Limited comprising of over 1000 dealers and 150 distributors spread across India. Further, the products are likely to be sold through large format stores and online platforms.

### Weaknesses

#### Nascent stage of operations

Though the operations of ARPL are supported by the strong and experienced management of Lux Industries Limited, it may take time to stabilize its operations. In its first year, ARPL might not be able to ramp up its sales resulting in inadequate accruals for meeting their mandatory obligations in the form of royalty payment. However, Acuite derives comfort from the continual support from Lux Industries Limited and the payment guarantee provided by it.

#### Liquidity:

The liquidity position of the company is expected to be stable as it is supported through a guarantee provided by Lux Industries Limited. Lux has given corporate guarantee to the bank facilities as well as for the royalty to be paid to Virat Kohli.

#### Outlook: Stable

Acuite believes that the outlook on ARPL will remain stable over the medium term on account of its strong parentage in Lux Industries which is an established market in innerwear business. The outlook may be revised to 'Positive' in case of early ramp of operations thereby achieving higher sales and profitability. The outlook may be revised to 'Negative' in case of delay in ramp of operations thereby achieving lower than expected sales and profitability.

### About the Rated Entity - Key Financials- Lux Industries Limited

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1207.05	1139.24	972.07
EBITDA	Rs. Cr.	181.27	157.41	120.02
PAT	Rs. Cr.	98.79	79.23	62.85
EBITDA Margin	(%)	15.02	13.82	12.35
PAT Margin	(%)	8.18	6.96	6.47
ROCE	(%)	28.01	24.74	22.67
Total Debt/Tangible Net Worth	Times	0.44	1.03	1.23
PBDIT/Interest	Times	7.92	6.20	7.02
Total Debt/PBDIT	Times	0.97	2.09	2.46
Gross Current Assets (Days)	Days	200	236	209

### 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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-4.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	5.00	ACUITE AA- /Stable (Assigned)

### Contacts

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### About Acuite Ratings & Research:

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