

Infiniti Retail Ltd

January 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long / Short term Bank Facilities	285 (Enhanced from Rs. 125 crores)	Care A+;Stable / Care A1 (Single A Plus; Outlook:Stable / A One)	Reaffirmed
Total Facilities	285 (Rs. One hundred and twenty five crore only)		

Rating Rationale

The reaffirmation of ratings assigned to the various instruments and bank facilities of Infiniti Retail Limited (IRL) continues to derive strength from its strong parentage (IRL being a 100% subsidiary of Tata Sons Ltd [TSL]), experienced management, financial flexibility it derives by virtue of belonging to the Tata group and continuous funding support from the promoters. The above rating strengths are however meddled by the challenging macro-economic environment, intense competition and weak debt protection metrics.

Majority ownership of TSL and ability of IRL to successfully turnaround business and grow profitably remain the key rating sensitivities. Moreover, the company overall performance has shown improvement in FY17 as compared to the FY6, and better performance has continued in Q1FY18

Detailed description of the key rating drivers
Key Rating Strengths
Strong promoter support

IRL is the wholly-owned subsidiary of Tata Sons Ltd, which has a very strong credit profile and has demonstrated its support to IRL through timely infusion of funds. In FY13 (refers to the period April 1 to March 31), TSL infused equity of Rs. 220 crore into IRL, a part of which (Rs.190 crore) was used to fund the IWL acquisition. TSL has infused additional Rs. 50 crore on June 18, 2016 and another Rs. 50 crore on August 02, 2016 and in FY17 TSL infused Rs. 150 crore as equity in IRL demonstrating continuous support. The directors and key management personnel of IRL are well experienced in their relevant fields and some of them have been associated with various group companies as well. The management is assisted by a team of experienced professionals across various functions.

Established brand

IRL is the one of the largest (Consumer Durables & IT - CDIT) company in the country operating a national chain of multi-brand electronic stores under the brand name Croma. Commencing operations in October 2006, IRL had 97 stores as on March 31, 2017 compared to 95 Croma stores across the country as on March 31, 2016.

Enriched performance at store level

The company's like to like store sales grew by 12.9% in FY17 as against -0.6% growth in FY16, also sales per square feet increased to Rs. 47,407 in FY17 as against Rs. 41,332 in FY16. This improvement is driven by increase in footfall, competitive pricing and lucrative offers.

Improved financials

The operating performance of the company has improved during FY17 with the company reporting a profit at PBILDT level of Rs.11.78 as against loss of 126.37 crore in FY16. The company's number of stores declined to 97 in FY17 from 101 in FY14, due to re-sizing and closing down loss making stores, but the company is planning to add 10-15 stores every year going forward. Consequently, the net loss incurred by IRL also has decreased to Rs. 57.16 crore in FY17 from Rs.196.91 crore in FY16, and in Q1FY18 the company made a profit at net level.

Key Rating Weaknesses
Weak financial risk profile mitigated by financial flexibility on account of strong parentage

IRL's networth has eroded over past few years due to high amount of accumulated losses. The company has a negative tangible networth of Rs.181.69 crore in FY17 as against Rs. 269.50 crore in FY16. However, on

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

account of the strong parentage IRL enjoys significant financial flexibility and has been able to refinance its debt. PBILDT interest coverage ratio was 0.23x in FY17 as against -2.43x in FY16 and PBIT interest coverage ratio was -0.80 in FY17 as compare to -2.88x in FY16. The company has reported cash loss of Rs.35.76crore in FY17 viz a viz loss of 171.87 crore in FY16.

Intense competition

Electronic peripherals have intense competition from e- commerce players; from FY14 to FY16 it has impacted IRL adversely. The company is coming up with different strategy to tackle with e-commerce and it has successfully implemented those. Also, the GST is beneficial for the company to improve volume as the handsome discount of e-commerce player would wipe out due to blanket rate over the country, that help to removal of arbitrage benefit in between interstate .

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Factoring Linkages in Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Retail](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Infiniti Retail Ltd (IRL) is a wholly owned subsidiary of Tata Sons Limited (TSL), the holding company of the Tata Group. IRL operates a national chain of multi-brand electronics stores under the brand name Croma. IRL had a technical and sourcing agreement with Woolworths Limited, Australia. As on March 31, 2017, IRL retails through 97 Croma retail outlets (95 as on March 31, 2016 and 98 as on March 31, 2015) across India. The stores are mainly operated by IRL on lease/revenue sharing basis. In Q3FY13, IRL acquired Woolworths Wholesale India Limited (WWIL) subsequently renamed Infiniti Wholesale Limited (IWL) for about AUD 35 million (Rs.190 crore) which was funded totally by equity infusion from TSL. IRL's acquisition of Woolworth was the key backward integration strategy to improve margins and gain grip on in-house efficient sourcing arrangements.

During FY17 (period from April to March), IRL reported income from operations of Rs. 3520.22 crore as against Rs. 3151.3 crore. IRL has reported net loss of Rs. 57.16 crore in FY17 as against loss net of Rs. 196.91 crore in FY16.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income –Gross	3151.3	3520.22
PBILDT	-126.37	11.78
PAT	-196.19	-57.16
Overall gearing (times)	-2.12	-2.95
Interest coverage (times)	-2.39	0.23

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Demand loan	-	-	-	265.00	CARE A+; Stable / CARE A1
Fund-based - LT/ ST-Bank Overdraft	-	-	-	20.00	CARE A+; Stable / CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	265.00	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (09-Oct-17)	1)CARE A+ / CARE A1 (25-Oct-16)	1)CARE A+ / CARE A1 (28-Jul-15) 2)CARE A+ / CARE A1 (16-Apr-15)	1)CARE A+ / CARE A1 (05-Feb-15)
2.	Fund-based - LT/ ST-Bank Overdraft	LT/ST	20.00	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (09-Oct-17)	1)CARE A+ / CARE A1 (25-Oct-16)	1)CARE A+ / CARE A1 (28-Jul-15) 2)CARE A+ / CARE A1 (16-Apr-15)	1)CARE A+ / CARE A1 (05-Feb-15)
3.	Debentures-Zero Coupon Debentures	-	-	-	-	-	-	1)CARE A+ (05-Feb-15)

								15)
4.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (09-Oct-17)	1)CARE A+ (25-Oct-16)	1)CARE A+ (28-Jul-15)	1)CARE A+ (05-Feb-15)
5.	Commercial Paper	ST	-	-	-	1)Withdrawn (25-Oct-16)	1)CARE A1 (28-Jul-15)	-
6.	Debentures-Non Convertible Debentures	LT	150.00	CARE A+; Stable	1)CARE A+; Stable (09-Oct-17)	1)CARE A+ (25-Oct-16)	1)CARE A+ (20-Oct-15)	-

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