

Bewakoof Brands Private Limited

February 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	20.00 (Enhanced from 5.00)	CARE A-; Stable	Rating removed from ISSUER NOT COOPERATING category and revised from CARE B; Stable
Long-term / short-term bank facilities	20.00	CARE A-; Stable / CARE A2+	Assigned
Short-term bank facilities	10.00	CARE A2+	Assigned
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Bewakoof Brands Private Limited (BBPL) considers its significantly improved financial flexibility post 86.31% stake acquired by Aditya Birla Digital Fashion Ventures Limited (ABDFVL), which is a wholly owned subsidiary of Aditya Birla Fashion and Retail Ltd (ABFRL). The revision further factors strong operational, managerial, and financial support to BBPL from ABFRL. BBPL is strategically important for ABFRL, as it aims to build the next set of iconic digital-first brands, among which BBPL is one and plays a significant part. Ratings also consider infusion of ₹137 crore in BBPL (apart from purchase consideration paid to erstwhile BBPL shareholders), leading to a comfortable capital structure providing headroom for BBPL's expansion plans. ABDFVL is further expected to infuse equity of around ₹25 crore in Q4FY24 and ₹50-60 crore in FY25.

Ratings continue to draw strength from experienced and qualified management team. However, the rating is constrained by modest growth in scale of operations post FY20 (refers to April 1 to March 31) with continued operating losses and exposure to changing consumer preferences, spending patterns, and changing fashion trends. Ratings continue to be constrained by inventory risk associated with the fashion industry, working capital intensive operations, competition from other players in the industry and profit margins susceptible to volatile raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantially and significantly scaling operations, with revenue remaining above ₹350 crore on a consistent basis, aided by improved performance, resulting in improving in its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to over 5%.
- Improving credit profile of ABFRL.

Negative factors

- No significant scaling up of operations, with sales remaining below ₹200 crore and continued significant operating losses in FY25.
- Delaying financial support from parent impacting liquidity.
- Reducing stake of ABDFVL in the company and deteriorating credit profile of ABFRL.

Analytical approach:

Standalone with operational, financial, and managerial linkages with its parent, Aditya Birla Fashion and Retail Limited and need-based financial support would be available to BBPL from its parent, ABFRL.

Outlook: Stable

Stable outlook reflects that BBPL will benefit from parent's support operationally and financially and lead to improving business and financial risk profile over the medium term.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Detailed description of the key rating drivers:

Key strengths

Strong operational, managerial, and financial support from the parent, ABFRL:

On April 11, 2022, ABDFVL, a wholly owned subsidiary of ABFRL, was set up for foraying into the direct to consumer (D2C) business to build a portfolio of distinct, new-age, digital brands across fashion, beauty, and other allied lifestyle segments organically and inorganic means. In the last two years, ABDFVL established a strong portfolio of eight brands across multiple large and growing categories such as kids wear, denim wear, casual, western wear, and athleisure. Over the next three years, ABDFVL will continue acquiring and incubating 30+ innovative, customer-obsessed brands within a synergistic 'house of brands' play. On February 15, 2023, ABDFVL acquired 81.77% in BBPL and as on date it has 86.31% in BBPL. BBPL's financial flexibility has improved post its strategic partnership with ABFRL. Furthermore, the extensive experience of ABFRL's management team continues to facilitate superior execution capabilities, driving growth in BBPL's revenues and profitability. ABFRL is among the leading fashion companies engaged in the branded apparel business, comprising divisions such as 'Madura Fashion' and 'Pantaloons'.

Comfortable capital structure with equity infusion expected from the group as and when required:

BBPL's financial risk profile is characterized by comfortable capital structure from equity infusions post-acquisition by ABDFVL despite stressed debt coverage indicators. BBPL's capital structure stood comfortable with overall gearing of 0.57x as on September 30, 2023, against 0.50x as on March 31, 2023, and negative tangible networth as on March 31, 2022. Debt coverage indicators are not meaningful due to negative cash accruals.

The capital structure is expected to improve over the medium term from equity infusion from promoters on a regular basis to fund losses and its minimal capex requirements. Post acquisition, ABDFVL has infused ₹137 crore into BBPL other than around ₹105 crore directly paid to the erstwhile BBPL shareholders. The parent is expected to infuse equity of around ₹25 crore and around ₹50-60 crore in Q4FY24 and FY25 respectively. Aditya Birla Group has been supporting the company through timely unsecured inter corporate deposits (ICDs). As on December 31, 2023, the company has outstanding ICDs of ₹5.50 crore and ₹4.33 crore from Aditya Birla Finance Limited and ABDFVL. CARE Ratings believes that such financial support will be maintained going ahead as well.

Key weaknesses

Modest growth in scale of operations post FY20 coupled with continued operating losses:

BBPL's total operating income (TOI) more than doubled to ₹164.21 crore in FY19 from ₹70.80 crore in FY18 and further improved by 30% in FY20 from rising brand recognition and customer base growth. Due to the COVID-19 pandemic, TOI declined by ~40% to ₹128.49 crore in FY21. It rebounded to ₹209.24 crore in FY22 and grew by 9% to ₹228.98 crore in FY23. In the last four years since FY20, BBPL has been in continuous operating losses despite benefits of economies of scale with increased scale of operations attributed to factors including rising raw material prices, employee costs and marketing and selling expenses. Continued operating losses in the last four years resulted in continued losses at net profitability level.

Working capital intensive nature of operations:

Operations of the company continue to remain working capital intensive as major funds are blocked in inventories. As the company is engaged in the ecommerce business, it has to keep certain quantity of raw material as well as finished products to meet the immediate demand from its customers. Average inventory period improved to 80 days in FY23 (against 107 days and 141 days in FY22 and FY21) due to lower stock of raw materials and finished goods inventory due to change in inventory management by keeping limited stock required for order execution. However, average inventory days is expected to increase in the medium term considering improving scale of operations. The company has a high debtor level because majority of orders (65%-70%) are executed through Cash on Delivery and sold through marketplaces with prolonged collection periods. The company's suppliers extend credit period of two to three months, which results in an average creditor's period of 65 days in FY23 (against 73 days in FY22 and 99 days in FY21). Operations of the firm remained working capital intensive and average monthly utilisation of fund-based working capital limits stood moderate at 30% in 10-months ending January 2024.

Profit margins susceptible to volatile material prices:

Raw material is the major cost driver (constituting about 37% of total cost of sales in FY23) and its prices are volatile, exposing cost base to adverse price fluctuations in the grey fabric and yarn, which is the ultimate raw material. The profitability margin of the company is susceptible to fluctuating raw material prices. With limited ability to pass on increasing raw material costs in a competitive operating spectrum, substantial increase in raw material costs would affect the company's profitability.

Presence in competitive and fragmented ecommerce industry:

BBPL operates in a highly competitive ecommerce industry, which is characterized by moderately low entry barriers, resulting in several organized and unorganized players, leading to intense competition. BBPL faces huge competition from other retail giants including Flipkart, Amazon, and Myntra among others, which offer multiple brands under a single platform. BBPL's products are also available in these marketplaces. The company also faces direct competition from local retailers and retail chain outlets operating across the country. However, market potential is still largely untapped due to lack of awareness, and stringent regulations, however, upgrading to new technologies, growing internet and smartphone penetration, and internet users in India have opened new avenues for BBPL.

Exposed to changing consumer preferences, spending patterns, and changing fashion trends:

BBPL is exposed to ever-evolving consumer tastes and preferences and rapidly changing fashion and lifestyle trends. The company must constantly foresee, recognise, and react to latest consumer and fashion trends. It must also quickly translate these demands and trends into timely product offerings, adapt to changing customer preferences, and keep upgrading its platform to meet changing consumer needs.

Liquidity: Adequate

Liquidity is marked adequate considering the financial flexibility it has by virtue of being a step-down subsidiary of ABFRL and being part of Aditya Birla Group. Current ratio and quick ratios of the company are also satisfactory at 1.13x and 0.76x respectively as on March 31, 2023. The company's fund-based limits average utilisation stood at around 30% for 10-months ending January 31, 2024, the operating cycle improved to around 54 days in FY23 (against 60 days in FY22). The company has cash and liquid investments to the tune of ₹0.06 crore as on September 30, 2023, against nil external debt repayment obligations. Its unutilised bank lines are more than adequate to meet incremental working capital needs over the next one year.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Retail](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Garments and apparels

Bewakoof Brands Private Limited (BBPL), incorporated in 2011 by Prabhkirandeep Singh and Siddharth Munot is engaged in online retailing readymade garments, bags, footwear, mobile covers, and other accessories through its website and mobile application (bewakoof.com) across India and through ecommerce giants such as Amazon, Flipkart and Myntra. Siddharth Munot exited BBPL in 2019. The company procures plain unprinted t-shirts from vendors and prints design in its unit in Bhiwandi, Thane.

On April 11, 2022, ABDFVL a wholly owned subsidiary of ABFRL was set up for foraying into the D2C business towards building a portfolio of distinct, new-age, digital brands across categories in fashion, beauty, and other allied lifestyle segments organically

and inorganically. In the last two years, ABDFVL established a strong portfolio of eight brands across multiple large and growing categories such as kids wear, denim wear, casual, western wear, and athleisure by acquiring controlling stakes in Awesome Fab Shopping Private Limited, Imperial Online Services Private Limited, Pratyaya E-Commerce Private Limited, NautiNati, The Indian Garage Company, and BBPL.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (Prov.)
Total operating income	209.24	228.98	82.33
PBILDT	(13.70)	(1.16)	(20.22)
PAT	(30.11)	(12.74)	(23.67)
Overall gearing (times)	(1.75)	0.50	0.57
Interest coverage (times)	(4.01)	(0.15)	(9.96)

A: Audited Prov.: Provisional; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based – LT-Cash Credit	-	-	-	-	20.00	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	March 2022	0.00	Withdrawn
Fund-based - LT-Term Loan*	-	-	-	-	0.00	Withdrawn
Fund-based - ST-Line of Credit	-	-	-	-	10.00	CARE A2+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	20.00	CARE A-; Stable / CARE A2+

*Proposed

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type ^	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Jan-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Nov-20)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE A-; Stable	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Jan-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Nov-20)
3	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Jan-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Nov-20)
4	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Jan-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Nov-20)
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	20.00	CARE A-; Stable / CARE A2+				
6	Fund-based - ST-Line of Credit	ST	10.00	CARE A2+				

^Long term/Short term.

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not available

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Line of Credit	Simple
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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