

Ashoka

June 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	29.98 (Reduced from 42.56)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Ashoka derives strength from long-standing presence of promoters in the textile retail business with established operational track record, well-established supplier base with extensive sourcing network, stable operational profile, comfortable capital structure, and debt protection metrics.

However, the rating is constrained by operations and revenue limited to single showroom, partnership nature of constitution, and highly competitive and fragmented nature of the industry.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Consistent scaling up revenue above ₹250 crore by diversifying geographical presence.

Negative factors

- Debt funded expansion, resulting in deteriorating capital structure with gearing levels above 1.50x.
- Declining PBILDT margins below 5%.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the firm will continue to benefit from extensive experience of promoters, and stable demand scenario, which shall enable the firm to sustain a healthy operational profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and long track record of the showroom

Antony Selvakumar and Antony Jeyaraj, sons of Mani Nadar (Founder of 'Ashoka' firm) have more than three decades of experience in the clothing retail business including all verticals namely marketing, strategic planning, sourcing textile goods and general management. The clothing retail business was initially set up by Mani Nadar in 1943 in the name 'Sudesi'. In 1950, the business was registered as 'Ashoka'. In the past seven decades 'Ashoka' has developed a good brand recognition and loyalty in the south Tamil Nadu market as a seller of quality apparels at affordable prices. The firm has 1.25 lakh sq. ft of retail space in Vallioor. The showroom is popular among almost all economic segments and consistently attracts a large footfall both in on and off-seasons. Day-to-day operations are overseen by promoters supported by different managerial heads.

Stable operational profile aided by strong sourcing network

The company's total operating income (TOI) improved by 10% to ₹175.06 crore in FY24 as against ₹159.29 crore in FY23 due to stable demand and improved clothing realizations. The firm also implements a healthy mix of advertising, discount strategy and competitive pricing to increase its customer footprints. Ashoka has a strong procurement channel, where it procures products from a diverse set of suppliers at competitive rates and established brand presence in south Tamil Nadu resulted in comfortable PBILDT margins in the range of 9-11% in the last three fiscals.

Healthy financial risk profile marked by comfortable capital structure and debt protection metrics

The financial risk profile of the firm remained healthy with comfortable net worth base of Rs.71.86 crore as on March 31, 2024 (PY: 57.21) translating into an improved capital structure with overall gearing of 0.49x as on March 31, 2024 (PY:0.76x). The debt coverage indicators stood comfortable with total debt to gross cash accruals (TDGCA) at 2.61x as on March 31, 2024, and interest coverage at 9.49x in FY24. During FY22 the firm availed a term debt of Rs.22 crore for purchase of land at Chennai for future expansion and has repaid a total of Rs. 17.00 crore till May 2024. The management plans to go for future expansion only

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

post closure of existing debt which stood at Rs. 4.98 crore as on March 31, 2024. Any capex implementation and the debt availed for the same if any will be a key monitorable from a credit perspective.

Key weaknesses

Operations and revenue constrained to a single showroom

The entire revenue of Ashoka is generated from Tamil Nadu with only one showroom in Vallioor, Tirunelveli. The area of current showroom in Vallioor is 1.25 lakh sq feet with land area of 2.25 acres. The showroom has open car parking facilities and six floors. Food courts and restaurants are also being operated in the entity's vicinity. The firm's presence through a single showroom keeps revenue concentrated and exposed to socio-economic political and other risks associated with operating in a single location.

Partnership nature of constitution

The partnership business has an inherent risk of withdrawal of capital by partners at the time of their personal contingencies, leading to an adverse effect on capital structure. However, partners have not made major capital withdrawals in the last few years and profits are reinvested in the business.

Highly competitive and fragmented industry

The textile retail industry in India is characterised by several organised and unorganised players. The fashion and apparel industry is highly competitive, as large numbers of retailers sell similar-looking products at similar price points. Despite being an established brand in the south Tamil Nadu textile market, the firm is exposed to intense competition from other regional players, which could lead to pressure on its margins.

Liquidity: Adequate

Ashoka has adequate liquidity characterised by sufficient cushion in estimated accruals against repayment obligations of ₹3-3.5 crore in FY25. The cash balance of the entity stood at ₹11.45 crore as on FY24. Ashoka generally keeps 2-3 months of stock ensuring adequate inventory holding, however, this figure may vary based on demand. Average inventory period varies from 70-140 days in the last five years. The retail business is cash and carry, with zero credit period, and the firm benefits from a creditors' period of 30-40 days. The working capital cycle stood comfortable at 36 days as on March 31, 2024. The average working capital utilisation of limits stood at 68% for 12-months ended May 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Retailing	Diversified retail

Ashoka is engaged in textile retailing, operating through a single showroom in Vallioor, Tirunelveli, Tamil Nadu. The firm was founded by Mani Nadar in 1950 as a partnership firm. Antony Selvakumar and Antony Jeyaraj, sons of Mani Nadar, oversee the firm's day-to-day operations as partners. The showroom at Vallioor is built on an area of 1.25 lakh sq ft spread over six floors with varied products, such as garments, bags, home textiles, and home needs under a single roof. Textiles form major part of the revenue, accounting for more than 90% of the turnover. The firm also has a food court and restaurants operating near the showroom premises. The partners also operate a retail shop under the brand name, Ashoka Footwear, in a different firm.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	131.43	159.29	175.06
PBILDT	12.50	18.65	20.12
PAT	10.02	13.71	16.62
Overall gearing (times)	0.72	0.76	0.49
Interest coverage (times)	20.61	6.36	9.49

A: Audited, UA: Unaudited; 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: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4.

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	25.00	CARE BBB-; Stable
Fund-based - LT-Term loan		-	-	March 2027	4.98	CARE BBB-; Stable

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 2024-2025	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
1	Fund-based - LT-Cash credit	LT	25.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (22-May-23)	-	-
2	Fund-based - LT-Term loan	LT	4.98	CARE BBB-; Stable	-	1)CARE BBB-; Stable (22-May-23)	-	-

LT: Long term

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

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

Annexure-5: Lender details

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

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

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About us:

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