

Shoppers Stop Limited (Revised)

September 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed at CARE A+; Stable and Withdrawn
Short-term Bank Facilities	-	-	Reaffirmed at CARE A1+ and Withdrawn
Non-convertible debentures	-	-	Withdrawn

Details of instrument/facilities in Annexure-1

Rationale and Key Rating Drivers:

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE A+; Stable/CARE A1+' assigned to the bank facilities of Shoppers Stop Limited with immediate effect. The above action has been taken at the request of the company and No Objection Certificate/No Dues Certificate received from banks/financial institutions that have extended the facilities rated by CARE Ratings.

Further, CARE Ratings has withdrawn the rating assigned to the Proposed NCD issue of Shoppers Stop Limited with immediate effect, as the company has not availed the proposed NCD issue rated by us and there is no outstanding under the said issue as on date.

The reaffirmation of the ratings assigned to the bank facilities of Shoppers Stop Limited (SSL) considers the strong parentage group, being part of the K. Raheja Corp. group with an experienced management and established track record in the retail industry along with a strong brand loyalty and robust inventory management system. The company has a strong brand recall value among customers with strong performance overall including private brands and beauty segments-led by increasing popularity of the Omni Channel especially in Tier II and Tier III cities. In FY24, SSL reported TOI of Rs.4,317 crore, a y-o-y growth of 7%. The company added 55 new stores during the year with an overall investment of Rs.246 crore. The operating margins moderated to 16.61% due to inventory write-off and increase in cost on account of new stores addition during the year. The company has launched 'Intune' stores during the year.

The above ratings strengths are however, constrained by high gearing levels primarily on account of high lease liability along with presence in the highly competitive branded retail industry which is vulnerable to changes in fashion trends/consumer preferences and economic cycles.

Analytical approach: Consolidated. SSL along with its subsidiaries are considered for analysis. The list of subsidiaries consolidated have been provided in Annexure-6

Outlook: Stable

CARE Ratings has assigned Stable outlook on account of expectation of continued improvement in financial performance backed by strong brand and store additions.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and management: SSL is one of the leading retail stores chains in India. SSL is promoted by the K Raheja Corp Group, which has diversified business interests across real estate development (residential and commercial), hospitality and retail segments. The group is a leading player in the commercial real estate development with developed area of over around 28 million square feet (sq.ft.). SSL is professionally managed with the members of the Board comprising of

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

professionals and well supported by key management personnel having good experience in the industry. B.S. Nagesh is Chairman of the company. He is associated with the company since 1991 and is the founder Chairman of Retailers Association of India.

Significant presence in the retail Industry with strong brand loyalty and omni channel model: SSL is one of the largest retail chains in India with presence across 65 cities covering a total area of 4.4 million sq.ft. as on June 30, 2024. Besides its departmental store business, SSL also has presence in cosmetics and specialty format (home furnishing, luxury accessories, etc.). Given its established track record, SSL has a strong brand loyalty amongst its customers with a loyal customer base (first citizen card holders) of 10.1 mn members as on June 30, 2024, accounting for about 80% of total sales of the company in FY24. SSL implemented SAP S4/HANA and a new loyalty engine Gravity partnering with TCS. The new technology will help the company to gain better insights into the shopping behaviour of First Citizen. The contribution margin has been positive in omni-channel. The average transaction value increased to 8% YoY in FY24 (PY: 6%).

Low working capital cycle: SSL manages the inventory effectively with less bought out stock arrangement which leads to lower inventory period, ultimately relieving pressure on working capital requirement for the company on a consolidated level. Furthermore, the company enjoys high creditor period which supports lower reliance on external working capital debt. A majority of the sales of the company occurs through cash, leading to lower debtor cycle.

Robust supply chain infrastructure in place: SSL has a robust supply chain infrastructure in place which helps in achieving better operational efficiencies. The company monitors, manages and controls the inventory levels at various nodes. This helps the company to manage the flow of inventory efficiently. The inventory management system enables it to offer and display correct merchandise assortments in the right mix, style, colour and fashion at various price points on the shelves as per the regional taste and preference. The sales trends are also regularly monitored to optimize inventory levels. Shoppers Stop has four distribution centres spread across India which cater to the department stores.

Moderation in operational performance in FY24: The total revenue from operation has increased by 7% to Rs.4,317 crore led by 6% increase in average selling price. Loyal customers contributed 79% of company's total income. Customer footfall increased to 50.2 million in FY24 (PY:45.9 million) with transaction size in departmental stores growing by 6.08% to Rs.4670. Sales (like-to-like growth) in departmental stores remained flat. Operating margin declined by 68 bps to 16.61% in FY24 due to inventory write-off and increase in cost on account of new stores addition during the year. The company has launched Intune stores during the year. In Q1FY25, TOI increased by 7.19% YoY to Rs. 1,073 crores, demand remained subdued with fewer weddings, elections and prolonged heat wave and inflation.

Moderation in financial risk profile led by higher lease liabilities: Total debt (excluding lease liabilities) increased to Rs.174.04 crore in FY24 (PY: Rs.126.09 crore) on account of increase in short term debt. The bigger chunk of debt comes from lease liabilities which stand at Rs.2,610.50 crore. TOL/TNW (including lease payments) was to the tune of 19.38x as on March 31, 2024 (PY: 27.97x). With the increase in operations and increase in the number of stores, the lease liability has increased by 16.09% in FY24.

Key weaknesses

Intensifying competition: SSL faces intense competition from other brick and mortar retailers like Lifestyle International, Aditya Birla Fashion, Trent etc. The company also faces competition from online retailers like Amazon, Flipkart, Myntra. Heightened competition from both brick and mortar and online players could impact overall SSSG of SSL.

Operating performance exposed to economic down-cycles: The retail clothing and apparel industry has heavy dependence on the disposable income of its customer segment and is susceptible to economic cycles because of the discretionary nature of purchases. The retailers' operating margins may be under pressure if they expand significantly since the earnings from their current store locations may not be enough to cover the losses from the significant addition of new outlets.

Liquidity: Adequate

As on March 31, 2024, SSL has adequate liquidity in the form of cash and bank balance to the tune of Rs. 16.63 crores coupled with adjusted gross cash accruals of Rs.472.57 crores as against repayments of Rs.20.83 crore term loan repayment for FY25.

Environment, social, and governance (ESG) risks

- Registered as a brand owner on the EPR portal of the Central Pollution Control Board, engaging a CPCB Registered Plastic Waste Processor for collecting and disposing of plastic waste, resulting in the recycling of 1,108 MT of plastic waste
- Implemented the use of 100% recyclable corn-based paper bags for packaging.
- In keeping with best-in-class store planning and maintenance practises, floor fixtures were renovated, repurposed, and reused whenever possible.
- Procured 2,27,500 units made from alternate, natural/ sustainable/recycled fabric from vendors which led to savings on emissions.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Retail](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Retailing	Distributors

SSL incorporated in 1997, has been promoted by the K Raheja Corp. Group (Chandru L. Raheja Group), one of the leading groups in the business of retail, real estate development and hotels in the country. SSL has been engaged in retailing through departmental stores for apparels (112), specialty beauty stores (87), home concept stores (7) and airport doors (21) while operating on more than 4.4 million sq. ft. area across 65 cities as on June 30, 2024. SSL is one of the pioneers in organised retail in India and has a chain of multi-brand departmental stores primarily in apparel and beauty spread across predominantly in Tier 1 and Tier 2 cities

Brief Financials (Consolidated) (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	4,022.13	4,316.59	1,072.87
PBILDT	695.25	716.96	142.92
PAT	116.01	77.25	-22.72
Overall gearing (times)	15.10	10.81	NA
Interest coverage (times)	3.32	3.18	2.34

A: Audited UA: Unaudited NA: Not Applicable; 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

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	June 2025	0.00	Withdrawn
Debentures-Non-convertible debentures	Proposed	-	-	-	0.00	Withdrawn

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	Term Loan-Long Term	LT	-	-	1)CARE A+; Stable (26-Sep-24)	1)CARE A+; Stable (28-Sep-23)	1)CARE A+; Stable (29-Sep-22)	1)CARE A+; Negative (30-Sep-21)
2	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A1+ (26-Sep-24)	1)CARE A1+ (28-Sep-23)	1)CARE A1+ (29-Sep-22)	1)CARE A1 (30-Sep-21)
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+; Stable (28-Sep-23)	1)CARE A+; Stable (29-Sep-22)	1)CARE A+; Negative (30-Sep-21)
4	Fund-based - LT-Cash Credit	LT	-	-	1)CARE A+; Stable (26-Sep-24)	1)CARE A+; Stable (28-Sep-23)	1)CARE A+; Stable (29-Sep-22)	1)CARE A+; Negative (30-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	Simple
4	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Global SS Beauty Brands Limited (formerly Upasna Trading Limited)	Full	Subsidiary
2	Shopper's Stop Brands (India) Limited (formerly Shopper's Stop Services (India) Limited)	Full	Subsidiary
3	Shopper's Stop.Com (India) Limited	Full	Subsidiary
4	Gateway Multichannel Retail (India) Limited	Full	Subsidiary

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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