

Ashapura Intimates Fashion Limited

October 15, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities-CC	57.50	CARE BBB- (Triple B Minus) (Credit watch with negative implications)	Revised from CARE A; Stable (Single A; Outlook: Stable); Placed on credit watch with negative implications;
Long term Bank Facilities-TL	15.00	CARE BBB- (Triple B Minus) (Credit watch with negative implications)	Revised from CARE A; Stable (Single A; Outlook: Stable); Placed on credit watch with negative implications;
Total	72.50 (Rs. Seventy Two Crore and Fifty Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Ashapura Intimates Fashion Limited (AIFL) follows developments such as absence of the principal promoter Mr. Harshad Thakkar from operations of the company, (AIFL has intimated stock exchanges of filing of missing person complaint filed with Mumbai Police); sharp decline in the share price of the company in the recent past; delay in deleveraging of balance sheet as planned; and leveraging of equity stake by the promoter by way of pledge of equity stake and invocation of pledge by IIFL Securities Limited. The above developments, in CARE's opinion are likely to have debilitating effect on the credit profile of AIFL. Further the ratings have been put on credit watch with negative implication. CARE is monitoring developments with respect to above mentioned events and shall take up review of the ratings when more clarity emerges on the above issues.

The rating strengths include consistent growth in operations with healthy operating margins backed by growing brand presence and launch of new product variants. The rating also considers established position of the company in the domestic lounge wear/sleep wear segment, with recognized brands.

The rating, however, continues to be tempered by elongated working capital cycle coupled with high utilization of working capital limits; inherent industry risk marked by increasing competition and vulnerability to changes in fashion trends.

The ability of AIFL to continue to increase the scale of operations and maintain its profitability amidst increasing competition along with efficient management of its working capital cycle are the key rating sensitivities. Any significant debt funded brand building capex is the key rating monitor able.

Detailed description of the key rating drivers

Key Rating Strengths

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

Established brand with growing presence

Over the years of its presence, AIFL has been able to successfully establish various brands viz. Valentine, N-Line, Night & Day, Valentine Sports, Valentine Secret Skin and Valentine Pink brands; targeted for mid-income group segment. AIFL has a strong distribution network with 115 distributors, 10 carrying and forwarding agents and about 10,000 point of sales. AIFL also has a diverse product portfolio (loungewear, bridal night wear, honeymoon sets, bathrobes, nighties, maternity feeding nighties, lingerie and others) catering to different segments (women, men, teenagers, kids and toddlers), thereby diversifying its revenue stream.

Consistent growth in scale of operations along with healthy operating margin

AIFL managed to increase its scale of operations in the past few years in an industry exposed to significant competition from both organized and unorganized players. The total operating income further grew by 11% in FY18 on a y-o-y basis. The growth in total operating income is attributable to increased brand presence, increase in presence at retail outlets, introduction of new brands and variants, thereby leading to improved realization and pick up in volumes over last few years. The operating margin have been consistent at around 15-17% for the past few years.

Key Rating Weaknesses***Weakening in credit profile due to delay in deleveraging***

During FY18 the company had earned significant extraordinary income of Rs. 40.69 crore by sales of treasury stock held by AIFL and the management had proposed to prepay their entire long term loans by the end of FY18. Further the company had also planned to reduce their working capital debt in a phased manner. Delay in the above plan had weakened the credit profile of the company significantly.

Working capital intensive nature of operations

The operations are highly working capital intensive due to high debtor and inventory holding. The working capital cycle has further deteriorated to 236 days in FY18 as compared to 164 days in FY17. The utilization of working capital limits remained high at 80% for the past 12 months ending September 2018 and provides no major liquidity back-up.

Inherent industry risk marked by increasing competition

The intimate garment industry in India is characterized by a high degree of fragmentation with majority of the market controlled by the unbranded and unorganized regional players and the balance by a few large organized and branded players. A major share of the lingerie market is held by the mid-market and economy segments, in terms of both value and volume. The super-premium and premium segments are relatively smaller, but fast-growing segments. In the present scenario, the premium and super premium segments of the lingerie industry are advancing following a consumer shift from economy and mid-market segment to the premium segment.

Vulnerability to changes in fashion trends

The branded lounge wear/ night wear segment is driven by fashion trends and its target segment's aspirations. Therefore, their association with brands may change. Thus, manufacturers need to constantly innovate and adapt to the changing

preferences of the target segment. AIFL, with its team of in-house designers who work on the upcoming season's collections, is expected to have the ability to adapt to the changing market trends.

Analytical approach: Standalone including the merged subsidiary Momai Apparels Limited.

Applicable Criteria

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

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

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

[Rating Methodology - Service Sector Companies](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

About the Company

Incorporated in 2006, Ashapura Intimates Fashion Limited is engaged in the business of designing, branding, marketing and retailing of intimate garments (such as loungewear, slips bathrobes, honeymoon sets, bridal night wear, nighties, ladies inner-wear, leggings, sportswear etc.) under established brands (viz. Valentine, N-Line, Night & Day, Valentine Sports etc) and undertakes sales through organized retail chains and own outlets. All its products are being manufactured by its subsidiary, Momai Apparels Ltd at its manufacturing facility in Vapi, Gujarat. MAL has been merged with the company with appointed date of April 01, 2016.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	309.03	343.53
PBILD	49.44	58.48
PAT	21.14	62.19
Overall gearing (times)	0.76	0.42
Interest coverage (times)	3.36	3.18

A: Audited

Status of non-cooperation with previous CRA: CRISIL has put the ratings of Ashapura Intimates Fashion Limited under 'Issuer Not Cooperating' category vide press release dated January 18, 2018 due to non-receipt of requisite information.

Any other information: Not Applicable

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.

Analyst Contact:

Name: Mr. Arunava Paul

Tel: +91 022- 6754 3667

Email: arunava.paul@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Cash Credit	-	-	-	57.50	CARE BBB- (Under Credit watch with Negative Implications)
Fund-based - LT-Term Loan	-	-	Sep 2026	15.00	CARE BBB- (Under Credit watch with Negative Implications)

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	57.50	CARE BBB- (Under Credit watch with Negative Implications)	-	CARE A; Stable	1)CARE BBB+ (19-Jul-16)	1)CARE BBB+ (20-Jan-16) 2)CARE BBB- (07-Apr-15)
2.	Fund-based - LT-Term Loan	LT	15.00	CARE BBB- (Under Credit watch with Negative Implications)	-	CARE A; Stable	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com