

Ashapura Intimates Fashion Limited

November 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities-CC	57.50	CARE B; Stable (Single B; Outlook: Stable)	Removed from credit watch with negative implication and Revised from CARE BBB- (Triple B Minus)
Long term Bank Facilities-TL	15.00	CARE B; Stable (Single B; Outlook: Stable)	Removed from credit watch with negative implication and Revised from CARE BBB- (Triple B Minus)
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) considers increase in borrowings by the company on account of newly availed working capital facilities in recent months which was not intimated to CARE. Further with continuing absence of the principle promoter, the operations of the company is expected to get adversely impacted.

Other rating challenges include continuing sharp decline in the share price of the company; 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 some of the financiers with whom promoters had pledged shares. Other rating weaknesses are stretched 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 absence of the principle promoter is the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

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 catering to different segments (women, men, teenagers, kids and toddlers), thereby diversifying its revenue stream.

Key Rating Weaknesses

Weakening in credit profile due to delay in deleveraging

During FY18 (refers to period from April 01 to March 31) 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. On the contrary leverage is expected to increase with various newly availed working capital facilities in recent months which were not intimated to CARE.

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

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

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 Ltd.

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. However 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
PBILDT	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

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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 B; Stable
Fund-based - LT-Term Loan	-	-	September 2026	15.00	CARE B; Stable

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 B; Stable	1)CARE BBB- (Under Credit watch with Negative Implications) (15-Oct-18)	1)CARE A; Stable (16-Nov-17)	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 B; Stable	1)CARE BBB- (Under Credit watch with Negative Implications) (15-Oct-18)	1)CARE A; Stable (16-Nov-17)	-	-

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