

Ashapura Intimates Fashion Ltd.

November 23, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities- CC	57.50	CARE C (Single C)	Revised from CARE B; Stable (Single B; Outlook: Stable)
Long term Bank Facilities- TL	15.00	CARE C (Single C)	Revised from CARE B; Stable (Single B; Outlook: Stable)
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 delays in debt servicing of newly availed working capital facilities from other lender (*not rated by CARE*). The rating action also considers the significant deterioration in the financial performance and liquidity position of AIFL in quarter and half year ended September 2018 (H1FY19). CARE also notes the qualified opinion of auditors in H1FY19 limited review report regarding the uncertainty of the company being a going concern and the slow realization of its debtors.

Other rating challenges include continuing sharp decline in the share price of the company 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 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.

Detailed description of the key rating drivers

Key Rating Weaknesses

Deterioration in the liquidity position

AIFL's liquidity position has deteriorated significantly in recent time with slow recovery of its debtors. The borrowings have also increased on account of the newly availed working capital facilities in recent months for store expansion. The working capital limits also have been fully utilized and hence provides no liquidity cushion.

Weakening in credit profile due to delay in deleveraging

During FY18 (refers to the period April 01, 2017- March 31, 2018), 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 debtors have significantly increased from Rs.141 crore as on March 31, 2018 to Rs.247 crore as on September, 30 2018.

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.

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

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.

Key Rating Strengths

Established brand position

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 one hundred and fifteen distributors, ten carrying and forwarding agents and about ten thousand point of sales. AIFL also has a diverse product portfolio catering to different segments, thereby diversifying its revenue stream.

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 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.

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****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.

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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 C
Fund-based - LT-Term Loan	-	-	-	15.00	CARE C

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 C	1)CARE B; Stable (05-Nov-18) 2)CARE BBB- (Under Credit watch with Negative Implications) (15-Oct-18)	1)CARE A; Stable (17-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 C	1)CARE B; Stable (05-Nov-18) 2)CARE BBB- (Under Credit watch with Negative Implications) (15-Oct-18)	1)CARE A; Stable (17-Nov-17)	-	-

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