

APRIL 15, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF LOVABLE LINGERIE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Bank Facilities- Fund-based - LT-Term Loan	8.85 (reduced from Rs. 9.96 crore)	CARE A+ (Single A Plus)	Reaffirmed
Bank Facilities- Fund-based - LT-Cash Credit	13.50	CARE A+ (Single A Plus)	Reaffirmed
Total Facilities	22.35		

Rating Rationale

The ratings of Lovable Lingerie Limited (LLL) continue to derive strength from the experience of promoters, strong brands in the segment, wide established distribution network and strong financial risk profile.

The ratings, however, remain constrained due to small scale of operations, volatility in profitability margins, working capital-intensive nature of operations and fragmented nature of the women innerwear industry.

The ability of the company to increase the scale of operations while maintaining the profitability margins and improving the working capital cycle remain the key rating sensitivities.

Background

LLL was originally incorporated in the year 1987 as Hybo Knit Private Limited. It started the commercial operations in the year 1996 by manufacturing women's inner wear under the license from Lovable World Trading Company, USA. Subsequently, it acquired the "Lovable" brand on an exclusive basis for the territories of India, Nepal and Bhutan. The company's product range includes brassieres, panties, slips/camisoles, home wear, shape wear, foundation garments and sleepwear products. "Lovable" and "Daisy Dee" are the flagship brands of the company. Both the brands are targeted towards the domestic market through Large Format Stores (LFS), departmental stores, EBOs, and MBO's across cities in India. The company has three manufacturing facilities which are located in Bengaluru, Karnataka, with combined installed capacity to manufacture 92.50 lakh pieces per annum as on March 31, 2014. The company's design studio is also located in Bengaluru and has a design library of approximately 1,000 designs. The company raised equity funds aggregating Rs.113.27 crore by way of an Initial Public Offer (IPO) in March 2011.

LLL is promoted by Mr L Vinay Reddy, Chairman and Managing Director of the company. He has vast experience of more than 23 years in the innerwear industry. His father, Mr L. Jaipal Reddy, promoter/Director, also has vast experience in the innerwear industry and was also the co-founder of Maxwell Industries (manufacturer of innerwear VIP) before starting LLL.

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

During FY14 (refers to the period April 01 to March 31), LLL reported a total income of Rs.160.27 crore and PAT of Rs.21.16 crore. During 9mFY15, LLL reported a total income of Rs.146.84 and PAT of Rs.18.38 crore.

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

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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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