

## Lovable Lingerie Limited

April 06, 2017

### Ratings

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities – Term Loan	2.77 (reduced from 6.64)	<b>CARE A+; Stable</b> <b>(Single A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Long/Short-term Fund-based facilities – Cash Credit	13.50	<b>CARE A+; Stable</b> <b>(Single A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>16.27</b> <b>(Rupees Sixteen crore</b> <b>Twenty Seven lakh only)</b>		

*Details of instruments/facilities in Anneuxre-1*

### Detailed Rationale

The ratings of Lovable Lingerie Limited (LLL), continues to derive strength from the experience of promoters, strong brands in the segment, wide established distribution network and strong financial risk profile as reflected by low overall gearing and comfortable debt service coverage indicators.

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 scale of operations while maintaining the profitability margins and improve working capital cycle remains the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced Management:** LLL was promoted by Mr L. Vinay Reddy having an experience of over two decades in the innerwear industry and was instrumental in obtaining license of “Lovable” brand for the Company. He was previously a director in Maxwell Industries Ltd. He is guided by his father Mr L. Jaipal Reddy who is the co-founder and Managing Director of Maxwell Industries Limited for 14 years. Mr L. Jaipal Reddy has conceptualized and established leading brands such as VIP, Frenchie etc.

**Strong brands in the segment with wide established distribution network:** LLL is one of India’s leading women’s innerwear manufacturers, marketing the products under flagship brands – ‘Lovable’ and ‘Daisy Dee’. ‘Lovable’ is a premium women’s innerwear brand and whereas ‘Daisy Dee’ is a mid-segment market brand. The company markets its products through large format stores (LFS)/department stores and a network of distributors. The company has 300 ‘shops in shops’ in Large Format Stores like Shoppers Stop and Lifestyle in 21 cities and carries out direct marketing through a network comprising of 4 branches, 180 distributors and approximately, 3,000 dealers serving around 11,000 multi brands outlets.

**Low overall gearing and comfortable debt servicing indicators:** LLL finances majority of its working capital requirements from internal accruals and IPO proceeds. With low debt levels and higher equity (net worth of Rs.195.76 crore as on March 31st, 2016), the gearing levels as on March 31st, 2016 have remained comfortable at 0.02x. TD/GCA has also remained low at 0.17x as on March 31, 2016. It may be noted that liquid investment (Rs.70.75 crore as on March 31, 2016) is significantly higher than the total debt obligations (Rs. 16.27 crore as March 31, 2016).

#### Key Rating Weaknesses

**Small scale of operations:** Though LLL has operational track record of more than 18 years, the total size of the operations are relatively smaller compared to its peers notwithstanding the higher growth rate at a CAGR of 11.8% during FY14-FY16. The same can be attributed to the fact that the LLL operates in a highly fragmented market wherein it faces stiff competition from large unorganised and organized segment.

**Working capital intensive nature of operations albeit mainly funded through internal accruals and IPO proceeds:** LLL has an elongated operating cycle mainly on account of high inventory holding days. Furthermore, LLL gets credit period of 30 days from its suppliers, while it grants credit period of 30-60 days to its customers. On account of aforesaid, the

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

operations of LLL are working capital intensive in nature despite this average working capital utilisation of LLL has remained low as the working capital is mainly funded through internal accruals and IPO proceeds.

**Highly fragmented industry with competition from organized & unorganized players:** The innerwear industry in India is characterised by a high degree of fragmentation as almost two-third of the market is controlled by the unbranded and unorganised regional players and only the balance one-third share goes to the few big organised and branded players.

**Analytical Approach:** Standalone

#### Applicable Criteria

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

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

[Rating Methodology-Manufacturing Companies](#)

[Financial Ratios-Non Financial Sectors](#)

#### About the Company

Lovable Lingerie Limited (LLL) was originally incorporated in the year 1987, as Hybo Knit Private and started commercial operations in the year 1996, by manufacturing women's inner wear under 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. The company has three manufacturing facilities which are located in Bangalore, Karnataka. The company's design studio is located in Bengaluru and has a design library of approx. 1,000 designs. The company raised Rs.113.27 crore from the IPO in March, 2011.

For FY16, LLL reported PAT of Rs.23.18 crore on total income of Rs.199.77 crore as compared to PAT of Rs.19.72 crore on total income of Rs.173.49 crore in FY15. For 9MFY17 (refers to the period April 01 to December 31), LLL reported PAT of Rs.16.92 crore on total income of Rs.166.88 crore.

**Status of non-cooperation with previous CRA:** 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

#### Analyst Contact

Name: Mr Pulkit Agarwal

Tel: 022-67543505

Mobile: 9819074189

Email: [pulkit.agarwal@careratings.com](mailto:pulkit.agarwal@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

#### 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-Term Loan	-	-	March 2018	2.77	CARE A+; Stable
Fund-based - LT-Cash Credit	-	-	-	13.50	CARE A+; 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	2.77	CARE A+; Stable	1)CARE A+ (15-Apr-16)	1)CARE A+ (15-Apr-15)	1)CARE A+ (09-Apr-14)	-
2.	Fund-based - LT-Cash Credit	LT	13.50	CARE A+; Stable	1)CARE A+ (15-Apr-16)	1)CARE A+ (15-Apr-15)	1)CARE A+ (09-Apr-14)	-

**CONTACT**  
Head Office Mumbai

**Mr. Amod Khanorkar**  
Mobile: + 91 98190 84000  
E-mail: [amod.khanorkar@careratings.com](mailto:amod.khanorkar@careratings.com)

**Mr. Saikat Roy**  
Mobile: + 91 98209 98779  
E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CREDIT ANALYSIS & RESEARCH LIMITED**

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](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Mehul Pandya**  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-98242 56265  
Tel: +91-79-4026 5656  
E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)

**BENGALURU**

**Mr. Deepak Prajapati**  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91-9099028864  
Tel: +91-80-4115 0445, 4165 4529  
E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**CHANDIGARH**

**Mr. Sajan Goyal**  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 99888 05650  
Tel: +91-172-5171 100 / 09  
Email: [sajan.goyal@careratings.com](mailto:sajan.goyal@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](mailto:pradeep.kumar@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](mailto:pradeep.kumar@careratings.com)

**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](mailto:ramesh.bob@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](mailto:nikhil.soni@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](mailto:priti.agarwal@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](mailto:swati.agrawal@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](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691