



Rating Rationale

Arihant Retails Pvt. Ltd.

19 June 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 12.50 Crores of Arihant Retails Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2018)	Present
Fund based					
Cash Credit	9.50	9.50	Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable (Reaffirmed)
SOD (Secured OD)	3.00	3.00	Short Term	BWR A3 (Pronounced BWR A Three)	BWR A3 (Pronounced BWR A Three) (Reaffirmed)
WCDL (Sublimit of OCC)	-	(8.00)			
WCDL (Sublimit of SOD)	-	(2.00)			
Total	12.50	12.50	INR Twelve Crore Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results of Arihant Retails Pvt Ltd upto FY18, provisional financials of FY19 and projected financials from FY20 to FY22, publicly available information and information/clarifications provided by the Company's management.



The assigned ratings draw comfort from experience of promoters in the Retail Apparel Business, Strategic location of Outlets, Moderate Net worth, Moderate Debt Coverage Indicators, and Expansion of Business. The ratings are, however, constrained on account of High Gearing, Thin Profitability Margins, Working Capital Intensive Nature of Business and Sensitivity to External Factors.

The ability of the concern to increase its revenue, improve its capital structure, profitability and its working capital cycle as well as maintaining its coverage and achieving its projections would be its key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:

- **Experience of Promoters:** The directors, Mr. Raj Kumar Chordia and Mr. Vishal Surana have extensive experience of over 2 plus decades in the industry and a proven track record of the business. Mr. Vishal Surana is independently managing the entity of Surana Family and has grown this company from a single store unit to 9 Stores spread across Chennai.
- **Strategically located Outlets:** Company has locational advantage of multiple showrooms in and around Chennai in the retail hub of the city under various brands and sub brands with positive growth prospects.
- **Moderate Net Worth :** Moderate level of net worth considering the unsecured loan from the promoters and the ability of the promoters to infuse fund as and when required. TNW(Adjusted) stood at a moderate level of 42.65 cr in FY18 v/s 45.75 cr in FY17 due to decrease in loan from Director while increase in loan from relatives/inter corporate borrowings. As on FY19, TNW(Adjusted) stood at 43.985 cr.
- **Moderate Debt Coverage Indicators:** ISCR & DSCR stood at 1.53x and 1.25x in FY18 v/s 1.44x and 0.49x in FY17. This is due to decrease in high Interest cost related unsecured borrowings despite lower OPBDIT and reduction in interest on borrowings from banks. In FY19, ISCR and DSCR stood at 1.62x and 1.34x respectively.
- **Expansion of Business:** The company has recently set up a new store in its mall under the name of “Budget Bazaar” for which Fixed Assets have been acquired in FY19. The proceeds from this store is projected to increase projected total revenue in the forthcoming years.

Credit Risks:

- **High Gearing:** TD/TNW(Adjusted) as on FY18 stood at 2.12x v/s 1.89x in FY17 due to increase in Total Debt.
- **Thin Profitability Margins:** NPM as on FY18 stood at 0.35% v/s 0.34% in FY17 respectively which is an inherent characteristic of retailing/ trading business.



- **Working Capital Intensive:** GCA as a % of Sales: 47.56% in FY18 up from 42.86% in FY17 indicating stretched working capital due to elongated period of credit for Debtors and Creditors.
- **Sensitivity to external factors:** Apparel industry is highly fragmented with low barriers to entry and intense competition from large number of organised and unorganised players.

Liquidity Profile: Current Ratio stood at 1.27x in FY19. Cash & Cash Equivalent stood at Rs. 1.30 cr in FY19. Working Capital facility utilisation is around 74.64 % on average for the year.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Arihant Retails Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Arihant Retails Pvt. Ltd. was incorporated in 1996 by Mr. Hastimal Surana at Chennai which was initially established by his father Late Shri Chainmal Surana in 1965. In 2003, Mr. Vishal Surana had subsequently taken over the business from his father Mr. Hastimal Surana after completing his Post graduation degree. The company is engaged in trading/retailing of garments, textiles, readymade, furnishing and upholstery. It has 9 showrooms in total in and around Chennai under the brands Arihant, Hotmale and MAA.

Company Financial Performance

TOI has marginally decreased to 131.50 in FY19 from 132.12 in FY18 due to increase in sales tax/GST. In FY19, TOI stood at 131.50 cr. OPBDIT has remained stagnant and has marginally reduced to 15.01 cr from 16.09 cr in FY17 further reducing to 14.93 cr in FY19. PAT increased to 0.83 in FY19 from 0.46 in FY18 due to decrease in interest cost and provision for taxes. TNW(Adjusted) stood at a moderate level of 42.65 cr in FY18 v/s 45.75 cr in FY17 due to decrease in loan from Director while increase in loan from relatives/inter corporate borrowings. As on FY19, TNW(Adjusted) stood at 43.985 cr.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	31st March 2018	13th Feb 2017	20th July 2015
1	Fund Based	Long Term	9.50	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable (Reaffirmed)	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable
		Short Term	3.00	BWR A3 (Pronounced BWR A Three) (Reaffirmed)	BWR A3 (Pronounced BWR A Three)	BWR A3 (Pronounced BWR A Three)	BWR A3 (Pronounced BWR A Three)
	Total		12.50	₹ Twelve Crore Fifty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- nil

Any other information

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs in Crs	132.12	131.00
EBITDA	Rs in Crs	15.01	16.09
PAT	Rs in Crs	0.46	0.45
Tangible Net worth	Rs in Crs	24.56	24.05
Total Debt/Tangible Net worth	Times	4.42	4.51
Current Ratio	Times	1.28	1.30



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

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