



Rating Rationale

Arihant Retails Pvt Ltd

31 March 2018

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 (February 2017)	Present
Fund based					
Cash Credit	8.75	9.50	Long Term	BWR BBB- (BWR Triple B minus) (Outlook: Stable)	BWR BBB- (BWR Triple B Minus) (Outlook: Stable) Reaffirmation
Secured Overdraft	-	3.00	Short Term	BWR A3 (BWR A three)	BWR A3 (BWR A three) Reaffirmation
Sublimit- WCDL	(7.50)	-			
Total	8.75	12.50	INR Twelve Crores and 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 essentially relied upon the audited financial statements is Arihant Retails Pvt Ltd (ARPL) upto FY17, provisional figures upto 31st December 2017, projected financial statements upto FY19, publicly available information and clarification provided by the organisation's management.

The rating derives strength from the promoter's experience and long track record of operations, locational advantage of the showrooms and incremental revenues. However, the rating is constrained by high gearing, fluctuating profit margins and intense competition.

Going forward, the ability of the organisation to improve the scale of operations, profitability, liquidity profile, capital structure by infusion of capital and timely servicing of debt will be the key rating sensitivity.



Description of Key Rating Drivers

- **Credit Strengths:**

Promoter's experience and long operations track record:

The company benefits from extensive experience of the promoters and long track record of the operations since 1965.

Locational advantage of the showrooms:

The locations of the showrooms are in the retail hub of the city which is an advantage; giving a competitive edge.

Incremental revenues:

The company recorded revenue of Rs.131crs in FY17 and in FY18 there has been improvement in the revenue and profitability as informed by the management. ARPL has an efficient cash flow conversion cycle owing to the characteristic of the business.

- **Credit Risks:**

High Gearing:

Debt Coverage Ratio of ARPL stands at 4.51times in FY17 , however it is being offset after considering the contribution of the promoters as an unsecured loan in the business.

Profit Margins:

Fluctuating Profit Margins with Operating Profit Margins of 12.28% and Net Profit Margins of 0.34%; which is an inherent characteristic of the retailing business.

Intense Competition:

Highly fragmented industry with low entry barriers resulting to intense competition prevailing in the industry as well as from players in the vicinity.

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, which constitutes 4 showrooms under Arihant, 4 showrooms under the brand Hotmale (for men) and also has 3 stores under the brand MAA (for kids and mothers) out of which operates as store in store concept with Arihant Showrooms. ARPL have recently started an ethnic/groom wear showroom as "Maplavar". ARPL also operates on a franchise business model wherein it has 1 franchise of Kewal Kiran Clothing Limited which deals with brands such as Killer, Lawman, Inrigiti and Easies.

Company Financial Performance

In FY17 the company has earned a revenue of Rs 131.00 cr with a PAT of Rs 0.45cr vis-a-vis Rs 129.81 cr & Rs 1.40 cr in FY16. In FY17, the company reported an operating profit margin of 12.28% and net profit margin of 0.34%

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	13th February 2017	20th July, 2015	2014
1)	Fund Based	Long Term	12.50	BWR BBB-/A3 (Outlook:Stable)	BWR BBB-/A3 (Outlook:Stable)	BWR BBB-/A3 (Outlook:Stable)	NA
	Total		12.50	₹ Twelve Crores and Fifty Lakhs Only			

Status of non-cooperation with previous CRA- NA



Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	131.00	129.81
EBITDA	Rs. Crores	16.09	14.89
PAT	Rs. Crores	0.45	1.40
Tangible Net worth	Rs. Crores	24.05	20.96
Total Debt/Tangible Net worth	Times	4.51	5.15
Current Ratio	Times	1.30	1.31

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.