



Rating Rationale

Arihant Retails Private Limited

13th February 2017

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

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	7.50	8.75	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmation
Fund Based	3.00	(7.50)	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmation
Total	10.50	8.75	INR Eight crores and seventy five lakhs only		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY14 – FY16, provisional 8MFY17's key figures, and projected financial results of FY17 – FY19 and publicly available information and information/clarification provided by the company's management.



The rating has factored, *inter alia*, experience of promoters and long track record of the company since 1965; locational advantage of the showrooms in the retail hub of the city; BWR also factored the moderate financial risk profile of the company.

The Rating is however, constrained by, constrained by high gearing, however it is being offset after considering the contribution of the promoters as an unsecured loan in the business; modest profit margins which is an inherent characteristic of the retailing business. It is also reserved due to intense competition from the players in the vicinity, owing to the fragmented nature of its business.

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 and then it was subsequently taken over by Mr. Vishal Surana from his father Mr. Hastimal Surana in 2003, after completing his Post Graduation degree from reputed institute around the globe. The company is engaged in trading /retailing of garments, textiles, readymade, furnishing and upholstery.

It has 10 showrooms in total in and around Chennai, which constitutes 4 showrooms under *Arihant*, 4 showrooms under the brand *Hotmale (for men)* and 2 showrooms under the brand *MAA (for kids and mothers)*. ARPL also operates on a franchisee business model wherein it has 4 franchisee , out of which 1 is of VAN HEUSEN (an EBO of Madura Garments Group) and the other two are of Kewal Kiran Clothing Limited which deals with brands such as (Killer, Lawman, Inrigriti and Easies) and recently added 1 more shop of *Manyavaar*.

The products are procured from the garment wholesalers based majorly in Chennai, Bangalore, Kolkata, and Delhi

Company Financial Performance

The company has achieved Rs. 129.81 Cr of net revenue in FY16 with a net profit of Rs. 1.40 Cr. The profitability out of its core operation in FY16 was 11.47% which has marginally improved from 11.12% in FY15.



The tangible net worth of the company stood at Rs. 20.96 Cr as on 31st March 2016. The gearing ratio, defined as Total Debt: Tangible Net Worth is 5.15X, however, considering the USL from promoter's group of Rs.32.59 Cr (which forms one of the major part of the long term borrowing of the company), the ratio improves further.

The liquidity ratio has improved in FY16. During its 8MFY17, the company has achieved sales of Rs. 71.95 Cr, on a provisional basis.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount	Rating	31 st Decemb er 2016	20 th July 2015,	2014,
1	Overdraft	Long Term	Rs. 8.75 Cr	BWR BBB- (Outlook: Stable)	BWR Rating Not Reviewed	BWR BBB- (Outlook: Stable)	NA
2	WCDL	Short Term	Rs. 7.50 Cr	BWR A3	BWR Rating Not Reviewed	BWR A3	NA

Hyperlink/Reference to applicable Criteria

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

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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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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