Rating Rationale

Free Look Fashions

3 Nov, 2017

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities amounting to ₹. 15.46 Crores of Free Look Fashions ('The firm')

Particulars

Facility	Previous Limits (₹ Crores)	Present Limits (₹ Crores)	Tenure	Rating History July 2016	Review Ratings*
Fund Based	3.37	5.46	Long Term	**BWR BB** (BWR Double B) **Outlook: Stable**	**BWR BB** (BWR Double B) **Outlook: Stable Reaffirmation**
Fund Based	15.00	10.00	Short Term	**BWR A4** (BWR A Four)	**BWR A4** (BWR A Four) **Reaffirmation**
Non-Fund Based	5.96	--			
Total	**24.33**	**15.46**	**INR Fifteen Crores and Forty Six 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
Brickwork Ratings reaffirms ratings at BWR BB (Outlook: Stable)' for the long term facilities and reaffirms ratings at 'BWR A4' to the short term facilities of Free Look Fashions.

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has essentially relied upon audited financial results up to FY16, Provisional financials up-to FY17, publicly available information and information provided by the firm's management.

The ratings derive comfort from experienced promoters, long track record, comfortable debt service indicators and continued low gearing profile. However, the ratings are constrained by decline in sales revenues in FY17, customer concentration risk and intense competition in the industry.

Going forward, ability of the company to improve sales revenues, sustain the debt protection metrics, to effectively manage its working capital cycle and liquidity position will remain key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths

- **Experienced Promoters & Long track record:** Mr. P Moghan, Mr. M Manoj Prabhakar, Ms. S Nirmala Devi, Mr. P P Thirumanan are the partners of the Company. Mr. P Moghan and Mr. M Manoj Prabhakar has vast experience in the industry. All the partners held equal profit share in the firm (i.e. 25% each). Free Look Fashions was established in 1995 and has a long track record of operations.
- **Comfortable debt service indicators:** Firm has reported ISCR and DSCR at 5.61X and 2.51X in FY17
- **Low gearing profile:** Firm's gearing level has improved from 0.79X in FY16 to 0.53X in FY17 on account of timely repayment of debt obligations and retention of profits in the business.

Credit Weakness:

- **Decline in scale of operations:** Firm had reported decline in revenues in FY17 on account of the company undertaking higher job work for its associate concern Anugraha Fashion Mill Private Limited as against direct sales booked in the name of Freelook Fashions.
- **Customer concentration Risk:** Free Look Fashion's major customer is Anugraha Fashion Mill Private Limited which contributed 53% of share in revenue in FY17.

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 **Free Look Fashion** 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

Freelook Fashions was established as a partnership firm in 1995. The firm is involved in manufacture and export of Hosiery garments. The firm's range of products caters to Men, Women, Children and Infants. The firm is utilizing~80% and ~100% of the installed capacities in garment and dyeing division respectively.

Company Financial Performance

Company had reported decline in sales revenues from Rs. 92.75 Crores in FY16 to Rs. 38.46 Crores in FY17 on account of increasing the job work undertaken for its associate concern Anugraha Fashion Mill Private Limited as against direct sales booked by the company.Firm's Operating and Net Profit margins reported at 12.05% & 4.56% in FY17 as against 12.02% & 3.85 % in FY16 respectively.

Tangible networth of the firm improved from Rs. 25.26 Crores in FY16 to Rs. 26.83 Crores in FY17 on account of retention of profits in the business. Total Outstanding liabilities to Tangible networth of the firm in FY17 stood at 0.75X as against 1.14X in FY16. Firm reported strong debt protection metrics and

net cash accruals to total debt. Liquidity position of the firm improved from 1.24X in FY16 to 1.45X in FY17.

Rating History for the last three years

Instrument /Facility	Current Rating (Oct, 2017)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	28 Jul 2016	2015	16 Sep 2014
Fund Based	Long Term	5.46	**BWR BB** (Outlook:Stable) **Reaffirmed**	**BWR BB** (Outlook: Stable)	--	**BWR B+** (Outlook:Stable)
Fund Based	Short Term	10.00	**BWR A4 Reaffirmed**	**BWR A4**	--	**BWR A4**
Non Fund Based	Short Term	--				
Total		**15.46**	**INR Fifteen Crores and Forty Six Lakhs Only**			

Annexure-I

Details of Bank Facilities

Name of Facility	Tenure	Previous Limits (July 2016)	Present Limits (Oct 2017)
Cash Credit	Long Term	1.00	1.00
Term Loans	Long Term	2.37	4.46*
PCL/PCFC	Short Term	12.50	7.50
FDBP/EXBID	Short Term	2.50	2.50
FLC	Short Term	5.96	--
Total		**24.33**	**15.46**

Note: FLC Limits has been closed during May 2017.

Annexure-II

Key Parameters	Units	FY16 (Audited)	FY17 (Provisional)
Net Receipts	₹ Crs	92.75	38.46
EBITDA	₹ Crs	12.20	5.02
PAT	₹ Crs	3.91	1.90
Tangible Net worth	₹ Crs	25.26	26.83
Total Debt/Tangible Net worth	In X	0.79	0.53
Current Ratio	In X	1.24	1.45

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratio**
- **Manufacturing Companies**

Analytical Contacts	Media
Vipula Sharma *DGM - Ratings* analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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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.

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.