

Rating Rationale

Brickwork Ratings assigns long-term rating ‘BWR B+’ (Pronounced BWR B Plus) with Stable outlook and short-term Rating ‘BWR A4’ (Pronounced A Four) for the Bank Loan Facilities aggregating ₹ 19.25 Crores of Aditya Raiment Private Limited

Brickwork Ratings has assigned the following Ratings ¹ to the Bank Loan Facilities aggregating Rs. 19.25 Cr of Aditya Raiment Private Limited.

Facility	Amount	Tenure	Rating
Cash Credit	Rs. 16.00 Cr	Long Term	BWR B+ (Pronounced BWR B Plus)
Term Loan	Rs. 3.00 Cr	Long Term	
Bank Guarantee	Rs. 0.25 Cr	Short Term	BWR A4 (Pronounced BWR A Four)

TOTAL Rs. 19.25 Cr Rupees Nineteen Crores and Twenty Five Lakhs Only

The rating has factored, inter alia, the experience of the promoters and team of management of Aditya Raiment Pvt. Ltd., its association with Suncorp Lifestyles Pvt. Ltd. and a growing presence in branded retail sector. The rating is, however, constrained by ARPL’s nascent stage of operations marked by weak financial profile, low profit margin and a high level of competition in the retail sector. BWR has essentially relied upon the audited financials for FY12, provisional financials of H1FY13 and information and clarification provided by ARPL.

Background:

Aditya Raiment Private Limited (ARPL) was incorporated in 2011 and is headquartered in Secunderabad, Andhra Pradesh. ARPL has brand associations with Basics & Genesis, Manyavar, Lee, Puma, Tommy Hilfiger, US Polo and “W”, and operates branded retail stores across Andhra Pradesh and Karnataka. It currently has 18 stores with a total of 19,135 square feet of retail space and another 15 stores in the offing.

ARPL has long term rental agreements for its stores. The brands lend their expertise in choosing locations for new stores, furnishing, inventory management,

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned.

advertisement and training sales staff. The Company has taken appropriate steps to control pilferage by installing CCTV in its stores and regular stock audits. To reduce obsolete stock, ARPL has a stock correction contract with its suppliers where in the supplier buys back all/part of the unsold stock after the end-of-season sales.

In FY13, Suncorp Lifestyles Ltd (SLL) increased its stake in ARPL from 13.34% to 73.20%. SLL is a 5 year old retail business house which is into Branded Lifestyle Apparel and Sports Products, a similar line of business as ARPL. With common promoters, ARPL stands to benefit from the support and expertise of SLL.

Financial Performance:

ARPL's net worth stood at Rs. 1.55 Cr in FY12. The capital infusion by SLL helped increase this to Rs. 5.61 Cr in H1FY13. The Company recorded a profit of Rs. 0.19 Cr on an Operating Income of Rs. 33.24 Cr in FY12.

Rating Outlook:

Branded retail sector in India is driven by the brand awareness and disposable income of the working population comprising of youth and middle-aged with high disposable incomes. What was once a preserve of Metros and Tier 1 cities has now started spreading to Tier 2 & 3 cities also, which is advantageous to ARPL. While overall feel good factors in the economy will result in increased foot-falls, ability to effectively manage costs in an effort to improve and maintain margins, increasing volumes and geographical diversity would be key to ARPL's operations.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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