

Rating Rationale

February 15, 2021 | Mumbai

Baazar Style Retail Private Limited

Rating reaffirmed at 'CRISIL BBB+' ; outlook revised to 'Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.75 Crore
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed and outlook revised to 'Stable')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities of Baazar Style Retail Pvt Ltd (BSRPL) to 'Stable' from 'Negative' and reaffirmed the 'CRISIL BBB+' rating.

Operating performance was impacted from March 2020 due to government measures to contain the spread of Covid-19, which included temporary closure of non-critical establishments, inter-state transportation, and areas of mass gatherings. BSRPL has gradually opened most of its stores from May, 2020, after the lockdown was relaxed in green and orange zones. However, recovery in sales is expected to be gradual due to the relatively discretionary demand for apparel products and the impact of lockdown on income levels.

The outlook revision reflects the gradual improvement in BSRPL's sales and profitability from September 2020, which is expected to sustain. In the third quarter of fiscal 2021, revenue increased 16% over the corresponding period of the previous fiscal. Moreover, better working capital management has helped the company reduce bank limit utilisation to 84% over the 10 months through December 2020 from 90% over the 3 months through March 2020.

The rating continues to reflect BSRPL's healthy financial risk profile because of strong network and gearing and robust debt protection metrics, geographical diversification with new stores in eastern India, rising revenue and profitability, and the high growth potential for the apparel industry in India. These strengths are partially offset by exposure to intense competition.

Key rating drivers & detailed description**Strengths:**

- **Healthy financial risk profile post-fund infusion by private equity investors:** Network was large at Rs 116.53 crore and gearing strong at 0.56 time as on March 31, 2020. Debt protection metrics were robust, with interest coverage ratio at 2.09 times for fiscal 2020. Gradual decline in debt with better working capital management should support the debt protection metrics over the medium term. Steady profitability should result in sizeable accretion to reserve, thereby keeping the network and capital structure comfortable.
- **Geographical diversification aided by new stores in eastern India:** Over the years, the company has widened its geographical presence beyond West Bengal and Odisha by entering Andhra Pradesh, Assam, Bihar, Jharkhand and Tripura. This protects operations from adverse political or economic conditions in any state. However, West Bengal will remain the major contributor to revenue over the medium term.
- **Improving scale and profitability:** The company increased turnover to Rs 638 crore in fiscal 2020 from Rs 47.14 crore in fiscal 2015 due to its aggressive expansion strategies and the promoters' experience. Increased efficiency in new stores has supported profitability. The company had 92 stores as on December 31, 2020.

Weakness:

- **Exposure to intense competition**
High profitability, healthy growth prospects for the garments segment, and ease of sourcing have encouraged many organised retail players and unorganised entities to enter the garments segment. The consequent intense competition will continue to constrain scalability, pricing power and profitability.

Liquidity: Adequate

Liquidity is likely to remain healthy, driven by adequate cash accrual to meet yearly debt obligation. Bank limit utilisation was moderate at 84% on average over the 12 months through December 2020. Timely infusion of equity and unsecured loans from the promoters and investors support the liquidity profile of the company.

Outlook: Stable

CRISIL Ratings believes BSRPL will continue to benefit from the extensive experience of the promoters.

Rating sensitivity factors

Upward factors:

- Improvement in operating margin to around 7% and revenue growth of 25%, leading to accrual of more than Rs 25 crore
- Reduction of gross current assets (GCAs) below 125 days

Downward factors

- Increase in GCAs above 190 days
- Dip in profitability resulting in accrual below Rs 10 crore

About the company

Incorporated in June 2013, BSRPL sells readymade garments, footwear, toys, accessories, cosmetics, luggage, and other household items and home furnishings through its 92 departmental stores primarily in the eastern region (West Bengal, Odisha, Jharkhand, Bihar, Assam, Andhra Pradesh, and Tripura). The stores are run under the Style Bazaar brand.

Key financial indicators

As on / for the period ended March 31		2020	2019
Operating income	Rs crore	638.27	538.32
Reported profit after tax	Rs crore	0.32	7.64
PAT margin	%	0.1	1.4
Adjusted debt/adjusted networkth	Times	0.56	0.55
Interest coverage	Times	2.09	3.20

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure: Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	46	NA	CRISIL BBB+/Stable
NA	Proposed fund-based bank limits	NA	NA	NA	7.07	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	Oct 23	21.93	NA	CRISIL BBB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	75.0	CRISIL BBB+/Stable		--	24-03-20	CRISIL BBB+/Negative		--	09-10-18	CRISIL BBB+/Stable	--
			--		--	29-01-20	CRISIL BBB+/Stable		--	05-10-18	CRISIL BBB+/Stable	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Name of Lender	Amount (Rs.Crore)	Rating
Cash Credit	Axis Bank Limited	9	CRISIL BBB+/Stable
Cash Credit	HDFC Bank Limited	7	CRISIL BBB+/Stable
Cash Credit	State Bank of India	30	CRISIL BBB+/Stable
Proposed Fund-Based Bank Limits	Not Applicable	7.07	CRISIL BBB+/Stable
Term Loan	Axis Bank Limited	12.21	CRISIL BBB+/Stable
Term Loan	State Bank of India	9.72	CRISIL BBB+/Stable

This Annexure has been updated on 26-Sep-2021 in line with the lender-wise facility details as on 10-Sep-2021 received from the rated entity.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Retailing Industry](#)

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