

## Rating Advisory

February 22, 2022 Mumbai

Advisory as on February 22, 2022

This rating advisory is provided in relation to the rating of Go Fashion (India) Limited

CRISIL Ratings vide its publication dated February 16, 2022 highlighted the aspect of non-co-operation by Go Fashion (India) Limited

Go Fashion (India) Limited has now shared the information requested and is cooperative.

You may access the Rating Rationale as appended below.

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## Rating Rationale

November 05, 2020 | Mumbai

### Go Fashion (India) Limited

*Ratings reaffirmed at 'CRISIL BBB+ / Stable / CRISIL A2'; rated amount enhanced for Bank Debt*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.65 Crore (Enhanced from Rs.35 Crore)
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A2 (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has revised its rating outlook on the long term bank facilities of Go Fashion (India) Pvt Ltd (GFIPL) to '**Stable**' from 'Positive' while reaffirming the rating at '**CRISIL BBB+**'; the rating on the short-term bank facilities has been reaffirmed at 'CRISIL A2'.

The revision in outlook reflects weakening of the company's business risk profile of GFIPL over the medium term. Subdued demand coupled with lockdown and other measures taken by Central and State governments to contain the spread of the Covid-19 pandemic is likely to result in decline in revenues and cash accruals in fiscal 2021. During April - August 2020 the company registered a revenue of Rs 44 crores with net loss of Rs 24.5 crores. While over last 2 months, company's cash flows have begun to improve however ramp-up in sales remains slow given discretionary nature of apparel demand and prevailing uncertainties on account of intermittent lockdowns imposed by various state governments to contain spread of COVID. The extent of ramp up in operations in the next 3 months will be a key monitorable for the rating.

The ratings continue to reflect GFIPL's strong market position in the women's ethnic bottom wear segment, and healthy financial risk profile. These strengths are partially offset by exposure to intense competition and large working capital requirement.

#### Analytical Approach

CRISIL has treated the preference share capital extended to GFIPL by Sequoia Capital and ICICI Venture as equity. This is because the capital is compulsorily convertible and carries a low coupon rate.

#### Key Rating Drivers & Detailed Description

##### Strengths:

##### \* Strong market position:

With operating income of Rs 408 crore in fiscal 2020, GFIPL has a strong market position in the women's ethnic bottom wear segment. However, in fiscal 2021 the revenue is likely to be impacted due to the restrictions of COVID-19. Post fiscal 2021 the performance will improve supported by the established position of the company. It has a pan-India presence, with more than 400 EBOs and tie-ups with leading large-format stores (LFS). GFIPL's business risk profile should benefit from its strong 'Go Colors' brand.

\* **Healthy financial risk profile:** The healthy financial risk profile is indicated by gearing of 0.73 time as on March 31, 2020. Debt protection metrics are robust, as reflected in interest coverage of 7 times in fiscal 2020. Network improved to Rs 285 crore as on March 31, 2020, from Rs 233 crore as on March 31, 2019, supported by healthy accretions.

##### Weaknesses:

\* **Exposure to intense competition:** GFIPL faces intense competition from unorganised and regional players in the women's ethnic bottom wear sector. Increasing market penetration of various ethnic players with presence in both top and bottom wear and presence of various private label brands in LFS leads to increased competitive pressure.

\* **Large working capital requirement:** Gross current assets (GCAs) were 187 days as on March 31, 2020, driven by sizeable inventory and receivables of 140 and 47 days, respectively. The company derives about 30% of its revenue from LFS, where payments can be late, leading to stretched receivables.

**Liquidity Adequate**

Cash accrual is expected to be moderate at about Rs.12-15 crore in fiscal 2021 due to the impact of COVID-19. However, in fiscal 2022 and 2023 the accruals will improve to over Rs.65 crore against no major repayment obligations. These cash accrual support incremental working capital requirements thereby the company's exposure to bank debt remains low. Utilisation of bank limit of Rs 20 crore averaged 7% over the 12 months through September 2020. Additional limit of Rs 30 crore was availed in Aug/Sep 2020, to support any exigencies. In addition, the company had Rs.33 crore of unencumbered cash balances as on October 31, 2020; this should be utilised to fund expansion plans and the incremental working capital requirement.

**Outlook: Stable**

CRISIL believes GFILP will maintain its business performance over the medium term, supported by its operational efficiency and strong brand recall.

**Rating Sensitivity factors****Upward factors:**

- \* Healthy revenue growth and sustained profitability leading to accrual of over Rs 70 crore\* Improvement in working capital cycle, with GCA less than 150 day.
- \* Sustenance of the financial risk profile

**Downward factors**

- \* Decline in revenue or profitability leading to significantly lower-than-expected accrual
- \* Weakening of the financial risk profile, especially liquidity, due to large, debt-funded capex or GCAs increasing to over 300days

**About the Company**

Incorporated in 2010, GFILP sells ethnic bottom wear products for women through its retail stores, distributors, and large fashion outlets under the 'Go Colors' brand. Mr Gautam Saraogi and Mr Rahul Saraogi are the promoters.

**Key Financial Indicators**

Particulars	Unit	2020	2019
Revenue	Rs Crore	407.85	293.94
Profit After Tax (PAT)	Rs Crore	52.63	36.49
PAT Margin	%	12.9	12.4
Adjusted Debt/Adjusted Networkth	Times	NA	0.04
Interest coverage	Times	7.11	40.71

**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	Complexity level	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit NA NA NA NA 50 CRISIL	BBB+/Stable	NA	Letter of Credit NA NA NA NA 15 CRISIL	A2		

**Annexure - Rating History for last 3 Years**

Current				2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fundbased Bank Facilities	LT/ST	50.00	CRISIL BBB+/Stable	14-01-20	CRISIL BBB+/Positive	15-03-19	CRISIL BBB+/Stable			14-12-17	CRISIL BBB-/Positive	Suspended
				03-01-20	CRISIL BBB+/Positive					04-12-17	CRISIL BBB-/Positive	

										25-01-17	CRISIL BB+/Stable	
Non Fundbased Bank Facilities	LT/ST	15.00	CRISIL A2	14-01-20	CRISIL A2		--		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	30	ICICI Bank Limited	CRISIL BBB+/Stable
Cash Credit	20	RBL Bank Limited	CRISIL BBB+/Stable
Letter of Credit	15	RBL Bank Limited	CRISIL A2

This Annexure has been updated on 16-Dec-2021 in line with the lender-wise facility details as on 06-Dec-2021 received from the rated entity.

## Criteria Details

<b>Links to related criteria</b>		
<a href="#">CRISILs Approach to Financial Ratios</a>		
<a href="#">Rating criteria for manufacturing and service sector companies</a>		
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>		
<a href="#">The Rating Process</a>		
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>		
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