

ITFL/SEC/2018-19/AUG/11

30th August, 2018

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

Scrip Code - 533329

National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai- 400 051

NSE Symbol: INDTERRAIN

Dear Sir/Madam,

Sub: Intimation of revised Credit ratings

Ref.: Reg. 30 of SEBI (LODR) Regulations, 2015

This is to inform that CRISIL has upgraded its ratings on the Bank facilities of the Company as mentioned below.

Total Bank Loan Facilities rated: Rs. 79.55 Crore

Long Term Rating: CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB / Stable')

Short Term Rating: CRISIL A2 (Upgraded from 'CRISIL A3+')

The report of CRISIL dated 30th August, 2018 covering the rationale for upgrading the credit rating is enclosed.

This is for your information and records. Kindly acknowledge the receipt of the same.

Thanking you,

Yours faithfully,

For INDIAN TERRAIN FASHIONS LIMITED

Ravi B.S.G

Company Secretary & Compliance Officer

Encl.: As above





8/30/2018 Rating Rationale

Ratings



Rating Rationale

August 30, 2018 | Mumbai

Indian Terrain Fashions Limited

Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	Rs.79.55 Crore		
Long Term Rating	CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Stable')		
Short Term Rating	CRISIL A2 (Upgraded from 'CRISIL A3+')		

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its ratings on the bank facilities of Indian Terrain Fashions Limited (ITFL) to 'CRISIL BBB+/Stable/CRISIL A2' from 'CRISIL BBB/Stable/CRISIL A3+'.

The ratings upgrade reflects CRISIL's belief that the company's revenues will register a healthy growth over the medium term driven by the strengthening of Indian Terrain brand and the expansion of distribution network resulting in penetration into new geographies. Revenue grew by about 23% to Rs 401.88 crore in fiscal 2018, aided by the addition of franchise outlets and multi-brand outlets mainly across semi-urban areas. CRISIL believes that ITFL's prudent expansion plans coupled with further uptick in domestic branded premium garment sales will support revenue growth. Operating margin remained stable at about 12% in fiscal 2018 (12.3% in fiscal 2017), despite expenditure incurred towards meeting goods & service tax (GST) requirements and expansion through franchise channel. Margins will continue to be moderate, supported by its premium brand and control on discounts offered to wholesale partners.

Financial risk profile remains robust; total outside liabilities to tangible net worth (TOLTNW) is expected to be around 0.6 time over the next two years. Cash and cash equivalents of Rs 51.6 crore, as on March 31, 2018, is likely to be utilised to support business expansions. This coupled with expected improvement in working capital cycle should keep capital structure healthy. Liquidity continues to be supported by moderate accrual against no major repayment obligation and cushion in bank limit to meet any ad-hoc requirements.

The ratings also reflect healthy recall for the Indian Terrain brand in the men's casual wear segment and its robust financial risk profile. These strengths are partially offset by exposure to intense competition from other established brands and large working capital requirement.

Key Rating Drivers & Detailed Description Strengths

- * Healthy brand recall: ITFL retails readymade garments for men through its own stores, franchises, multi-brand retail outlets and large format retail counters such as Shoppers Stop Ltd (CRISIL A1+) and Lifestyle International Pvt Ltd (CRISIL AA/Stable/CRISIL A1+). The company's established presence has enabled a significant compound annual growth in revenue of 25.6% over the five years ended fiscal 2018. Penetration into newer geographies and addition of a segment specifically for boys, has further supported the company's market position.
- * Healthy financial risk profile: Networth was sizeable at Rs 200.56 crore and TOLTNW ratio low at 0.8 time as on March 31, 2018. Interest coverage remained robust at 6.85 times for fiscal 2018.

Weakness:

- * Exposure to intense competition: ITFL is exposed to intense competition from a number of established domestic and global brands in the Indian market. The business of selling branded apparels is driven by fashion trends, particularly in the urban regions and among consumers in the age group of 18-40 years. The target segments aspirations are significantly influenced by changes in lifestyle patterns of peers, role models, and the media.
- * Large working capital requirement: Gross current assets were large at 285 days as on March 31, 2018 driven by high receivables of 163 days on account of longer credit period offered by ITFL to its distributors, post GST rollout.

Outlook: Stable

CRISIL believes that ITFL will continue to benefit from its established brand in the domestic market and expansion in

8/30/2018 Rating Rationale

distribution network. The outlook may be revised to 'Positive' if sustained improvement in revenue and stable operating margin further strengthen business risk profile. The outlook may be revised to 'Negative' if revenue, profitability and cash accrual decline, or if stretch in working capital cycle weakens financial risk profile.

About the Company

Incorporated in September 2009, ITFL retails ready-made garments for men and boys, such as shirts, trousers, T-shirts, jackets, and sweaters under the Indian Terrain brand. The domestic retail division of Celebrity Fashions Ltd was demerged into ITFL with effect from April 1, 2010. The company has about 151 exclusive brand outlets, with a mix of company and franchise operated. Managing director, Mr Charath Narsimhan manages the operations.

ITFL is listed on the Bombay Stock Exchange and National Stock Exchange.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	401.8	325.9
Profit after tax	Rs crore	25.4	22.8
PAT margin	%	6.3	6.9
Adjusted debt/Adjusted networth	Times	0.19	0.25
Interest coverage	Times	6.85	4.48

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	37.5	CRISIL BBB+/Stable
NA	Letter of Credit	NA	NA	NA	13.5	CRISIL A2
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	25	CRISIL BBB+/Stable
NA	Proposed Short Term Bank Loan Facility	NA	NA	NA	3.55	CRISIL A2

Annexure - Rating History for last 3 Years

	Current		2018 (History)		2017		2016		2015		Start of 2015	
Instrument	Туре	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund- based Bank Facilities	LT/ST	66.05	CRISIL BBB+/Stable/ CRISIL A2			22-08-17	CRISIL BBB/Stable/ CRISIL A3+	26-05-16	CRISIL BBB/Stable	18-02-15	CRISIL BBB-/Stable/ CRISIL A3	CRISIL BB/Stable/ CRISIL A4+
Non Fund- based Bank Facilities	LT/ST	13.50	CRISIL A2			22-08-17	CRISIL A3+	26-05-16	CRISIL BBB/Stable/ CRISIL A3+	18-02-15	CRISIL BBB-/Stable/ CRISIL A3	CRISIL BB/Stable/ CRISIL A4+

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Curre	ent facilities		Previous facilities			
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating	
Cash Credit	37.5	CRISIL BBB+/Stable	Cash Credit	37.5	CRISIL BBB/Stable	
Letter of Credit	13.5	CRISIL A2	Letter of Credit	13.5	CRISIL A3+	
Proposed Long Term Bank Loan Facility	25	CRISIL BBB+/Stable	Proposed Long Term Bank Loan Facility	25	CRISIL BBB/Stable	
Proposed Short Term Bank Loan Facility	3.55	CRISIL A2	Proposed Short Term Bank Loan Facility	3.55	CRISIL A3+	
Total	79.55		Total	79.55		

Links to related criteria

CRISILs Approach to Financial Ratios

CRISILs Bank Loan Ratings - process, scale and default recognition

Rating Criteria for Retailing Industry

CRISILs Criteria for rating short term debt

For further information contact:

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