



ITFL/SEC/2019-20/OCT/03

10th October, 2019

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

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

Scrip Code - 533329

NSE Symbol: INTERRAIN

Dear Sir/Madam,

Sub: Intimation of Credit ratings

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

This is to inform that ICRA Limited has assigned and upgraded the ratings on the Bank facilities availed by the Company. We hereby enclose the rating rationale issued by ICRA Limited.

On our request and No-objection certificate from our Banker, CRSIL Limited has withdrawn the ratings assigned to the Bank facilities of the Company and the withdrawal intimation of CRSIL Limited is also enclosed.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

INDIAN TERRAIN FASHIONS LIMITED

SDF-IV & C2, 3rd Main Road, MEPZ / SEZ, Tambaram, Chennai - 600 045. Tel : +91-44-4227 9100, Fax : +91-44-2262 2897

Registered Office : No. 208, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai - 600 100.

Email ID : response.itfl@indianterrain.com

Website : www.indianterrain.com

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INDIAN TERRAIN



ICRA

ICRA Limited

CONFIDENTIAL

Ref: ICRA:BLR:2019-2020/RT-BASEL/214

August 20, 2019

Mr. Nandakumar N
Chief Financial Officer (CFO)
Indian Terrain Fashions Limited
SDF IV & C2, 3rd Main Road
MEPZ / Special Economic Zone
Tambaram, Chennai
Tamil Nadu – 600 045

Dear Sir,

Re: ICRA-assigns Credit Rating for the Rs. 60 crore Lines of Credit of Indian Terrain Fashions Limited (instrument details in Annexure)

Please refer to your Rating Agreement dated March 29, 2019 requesting ICRA Limited ("ICRA") to carry out the rating of the Rs. 60 crore Lines of Credit (LOC) of your company. The Rating Committee of ICRA, after due consideration, has assigned a long-term rating of **[ICRA]A-** (pronounced ICRA A minus) with a stable outlook and a short-term rating of **[ICRA]A2+** (pronounced ICRA A two plus) to the captioned LOC[†]. The aforesaid ratings will be due for surveillance anytime before **August 8, 2020**.

The ratings are specific to the terms and conditions of the LOC as indicated to us by you, and any change in the terms or size of the same would require a review of the ratings by us. In case there is any change in the terms and conditions or the size of the rated LOC, the same must be brought to our notice before the facility is used by you. In the event such changes occur after the ratings have been assigned by us and their use has been confirmed by you, the ratings would be subject to our review, following which there could be a change in the ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the ratings assigned.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Debt instruments issued by you. The Rating assigned to the Bank facility of your company shall require revalidation if there is any change in the size or structure of the Rated Bank facility.

[†] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

Karumuttu Centre, 5th Floor
634, Anna Salai, Nandanam
Chennai 600035

Tel. : +91.44.45964300
CIN : L74999DL1991PLC042749

Website : www.icra.in
Email : info@icraindia.com
Helpdesk : +91.124.2866928

Registered Office : 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

RATING • RESEARCH • INFORMATION 49684



ICRA

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the enclosed format) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements as prescribed in circular dated June 30, 2017 on 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)' issued by the Securities and Exchange Board of India.

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,
for ICRA Limited

(K. Ravichandran)
Senior Vice President & Group head, Corporate Ratings
ravichandran@icraindia.com

(Balaji M)
Assistant Vice President
balaji.m@icraindia.com

Encl:



ICRA

Annexure

Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)

Name of the Bank	Instrument	Amount (Rs. crore)	Rating	Rating Assigned on
State Bank of India	Cash Credit	30.00	[ICRA]A2+	August 09, 2019
	LC	13.50		
	BG (sub limit under LC)	(0.50)		
Total		43.50		

Details of the limits rated by ICRA (Rated on long-term/short-term scale)

Instrument Details	Amount (Rs. Cr.)	Rating Assigned	Rating Assigned on
Unallocated Limits	16.50	[ICRA]A-(Stable)/[ICRA]A2+	August 09, 2019
Total Limits	16.50		

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August 20, 2019

Indian Terrain Fashions Limited: [ICRA]A-(Stable)/[ICRA]A2+ rating assigned

Summary of rating action

Instrument*	Current Rated Amount(Rs. crore)	Rating Action
Short Term - Fund Based Limits	30.00	[ICRA]A2+; assigned
Short Term - Non-Fund Based Limits	13.50	[ICRA]A2+; assigned
Long-term/short-term - Unallocated Limits	16.50	[ICRA]A-(Stable)/[ICRA]A2+; assigned
Total	60.00	

*Instrument details are provided in [Annexure-1](#)

Rationale

The assigned ratings factor in the established presence of Indian Terrain Fashions Limited (ITFL) in the branded men's wear segment in South India with its flagship Indian Terrain brand enjoying healthy recall, a strong multi-channel distribution network with an expanding retail footprint across India and a comfortable financial risk profile, characterised by comfortable credit metrics and an adequate liquidity position. ITFL's operating performance has been steady over the years, with its revenues witnessing a compounded annual growth of around 15% over the past five years. The same is despite the modest performance witnessed in FY2019 when volumes were primarily constrained because of the temporary business disruption due to transition towards distribution model in the multi-brand outlets (MBO) channel. ITFL's revenue growth in the recent fiscals has been driven by growing points of sale across the channels and increasing sales from the recently launched boys wear segment. Its planned expansion towards improving penetration in North and Central India and steady growth prospects in the domestic branded premium men's wear segment are likely to drive an annual growth of around 10% over the medium term. ITFL's operating margins have remained steady over the years at around 12% on the back of intense competition and related high marketing spend. The operating margins are likely to moderate by around 50-100 bps in the coming quarters because of the expected increase in promotional expenses considering its expansion in non-South markets. This proposed showroom expansion is also likely to reduce its revenue concentration from South India from the current levels of around 50% in the coming fiscals. These strengths are partly offset by the intense competition in the branded apparel business from several established brands, and the inherent high working capital intensity in the business.

ITFL's working capital cycle is characterised by high receivables position, with its debtor days increasing to around 205 at the end of FY2020 on the back of an extended credit enjoyed by its channel partners. Nevertheless, the same is likely to improve over the coming quarters, supported by better collection from the MBO channel with the recent shift to the distribution model from a direct sales model. ITFL's receivables cycle is likely to reduce to around 180 days by March 2020 and would be a key rating sensitivity. Despite the high working capital funding requirements, the ratings are supported by ITFL's comfortable financial risk profile, driven by its steady earnings from operations and limited capital expenditure requirements because of its asset light model of operations. ITFL's credit metrics have remained at adequate levels, with its key ratios including adjusted debt¹ to operating profits and interest coverage expected to

¹ Total debt adjusted for cash and liquid investments held and for vendor bills discounted

improve to around 0.3 times and 6 times, respectively for FY2020. Its liquidity position is also expected to remain comfortable, supported by cash equivalents held to the tune of around Rs. 35 crore as on March 31, 2019 and the proposed enhancement of fund-based limits. Thus, ITFL's ability to support a steady growth in revenues and earnings amid intense competition, apart from improving its working capital cycle, would remain key rating sensitivities.

Outlook: Stable

ICRA expects ITFL's performance to remain steady, supported by its established presence and the ongoing efforts to expand in non-South markets and reduce receivables position. The outlook may be revised to Positive, if the growth in revenues and earnings significantly exceeds estimates or the improvement in working capital cycle is better than expected, which would strengthen its credit profile. The outlook may be revised to Negative if the operating performance is weaker than expected or if the working capital cycle elongates further, which would adversely impact its liquidity position and credit metrics.

Key rating drivers

Credit strengths

Established market presence in the domestic men's wear segment – ITFL's flagship brand, Indian Terrain, enjoys strong recall in the men's casual wear segment, especially in South India, with a long presence of over two decades. The company has a strong multi-channel distribution network of more than 160 exclusive brand outlets (EBO), 380 large format stores (LFS) and 1,400 MBOs encompassing over 2,000 points of sale in about 250 cities. While the EBOs allow the company additional flexibility in promotion and brand building enabling direct engagement with customers, the MBO channel helps the company expand its geographical presence with minimal investments. ITFL also generates around 10% of sales through the e-commerce portals. To further diversify its revenue base, the company ventured into the boys wear segment (for the age group 4-16 years) in FY2015 under the brand, Indian Terrain BOYS, which has witnessed good traction in the recent fiscals. The company has steadily expanded its retail footprint, which coupled with its brand strength, has aided ITFL in registering healthy revenue growth over the years.

Comfortable financial risk profile – ITFL's financial profile is characterised by a conservative capital structure and adequate credit metrics. Despite an increase in working capital requirements in FY2019, consistent earnings from operations have supported the leverage indicators and coverage metrics. Total outside liabilities to tangible net worth, adjusted debt to operating profits and interest coverage stood at around 0.8 times, 0.4 times and 6 times, respectively in FY2019.

Credit challenges

High working capital intensity – Apparel retail business inherently entails high working capital requirements towards stocking garments across a wide product range in its outlets and high credit enjoyed by distribution channel partners. While ITFL's inventory turnover is comfortable with its sales distributed across channels, its receivables position is stretched on the back of an extended credit enjoyed by the MBO, LFS and e-commerce channel partners. ITFL's receivable cycle increased to more than 200 days by the end of FY2019, resulting in the working capital intensity rising to around 42%. Nevertheless, an expected improvement in working capital cycle and ITFL's comfortable liquidity position provide some comfort.

Intense competition limits operating margins – Branded men’s wear segment is characterised by intense competition, with continuous expansion undertaken by a number of established brands across regions, as reflected in the modest retail segment growth in the recent past. The same mandates continued high marketing spend for retailers, limiting operating margins of market players. ITFL’s proposed entry into new markets and an expected increase in sales promotion expenses are likely to limit its margin expansion over the medium term. The company has high dependence on the menswear segment, while revenues from the boys wear segment stood relatively low at around 10%. However, an established presence and favourable growth prospects for the branded apparel industry are likely to aid in volume growth over the medium term. Also, the ongoing efforts to improve penetration in North and Central India are likely to reduce revenue concentration from the southern markets over the coming fiscals.

Liquidity position

ITFL’s liquidity position is comfortable, supported by steady internal accruals and cash reserves held, despite the incremental funding requirements towards working capital witnessed in the recent fiscals. The company had cash equivalents (free cash reserves and liquid investments) of around Rs. 35 crore as on March 31, 2019. The average utilisation of fund-based limits stood at around 80% for the 12-month period ending June 2019. The high working capital intensive nature of operations and an increase in receivables position had constrained the company’s free cash flows in FY2019, resulting in cash equivalents reducing from Rs. 50 crore as on March 31, 2018. Nevertheless, ITFL’s liquidity position is expected to remain comfortable on the back of steady earnings from operations, low capital expenditure envisaged, improvement in receivables cycle and a proposed enhancement of fund-based facilities.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for Entities in the Indian Textiles Industry – Apparels
Parent/Group Support	Not Applicable
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the standalone financial profile of Indian Terrain Fashions Limited

About the company

ITFL was incorporated in 2009 and is involved in retailing of readymade garments for men and boys. The apparel retail operations were commenced in 2000 under Celebrity Fashions Limited (CFL), which was demerged into a separate company with effect from April 1, 2010. ITFL primarily caters to the mid-premium and premium segments, marketing a wide range of products including shirts, trousers, T-shirts, jackets, denims and sweaters under the flagship Indian Terrain brand. ITFL went public in 2011 and is listed on the Bombay Stock Exchange and the National Stock Exchange. The company was started by Mr. Venkatesh Rajagopal, who has over three decades of experience in manufacturing and retailing of apparels. The promoters as on date hold 29.7% stake in ITFL, of which 67.8% has been pledged as collateral towards the bank facilities enjoyed by the company. The operations are currently managed by Mr. Charath Narsimhan, Managing Director of ITFL.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	401.5	422.4
PAT (Rs. crore)	25.4	25.7
OPBDIT/OI (%)	11.9%	12.0%
RoCE (%)	19.9%	19.0%
Total Debt/TNW (times)	0.2	0.1
Total Debt/OPBDITA (times)	0.8	0.7
Interest coverage (times)	6.8	6.0

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Type	Current Rating (FY2020)			Chronology of Rating History for the Past 3 Years		
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating August 2019	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1 Fund-Based	Short Term	30.00	-	[ICRA]A2+	-	-	-
2 Non-Fund Based	Short Term	13.50	-	[ICRA]A2+	-	-	-
3 Unallocated Limits	Long-term/Short Term	16.50	-	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-Based – Working Capital Facilities	-	-	-	30.00	[ICRA]A2+
NA	Non-Fund Based – Working Capital Facilities	-	-	-	13.50	[ICRA]A2+
NA	Unallocated – Long-term / Short-term Limits	-	-	-	16.50	[ICRA]A-(Stable)/[ICRA]A2+

Source: ITFL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Jayanta Roy

+91 33 7150 1120

jayanta@icraindia.com

Balaji M

+91 44 4596 4317

balajim@icraindia.com

Tej Abhilash Ancha

+91 40 4067 6522

tej.ancha@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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Rating Rationale

September 20, 2019 | Mumbai

Indian Terrain Fashions Limited

Ratings Withdrawn

Rating Action

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

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has **withdrawn** the rating on the bank facilities of Indian Terrain Fashions Limited (ITFL) on the request of the company and in line with CRISIL's withdrawal policy.

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	2019	2018
Revenue	Rs crore	422.37	401.8
Profit after tax (PAT)	Rs crore	25.7	25.4
PAT margin	%	6.1	6.3
Adjusted debt/Adjusted networkth	Times	0.14	0.19
Interest coverage	Times	6.36	6.85

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	Withdrawn
NA	Letter of Credit	NA	NA	NA	13.5	Withdrawn
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	25	Withdrawn
NA	Proposed Short Term Bank Loan Facility	NA	NA	NA	3.55	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	66.05	Withdrawn/Withdrawn			30-08-18	CRISIL BBB+/Stable/ CRISIL A2	22-08-17	CRISIL BBB/Stable/ CRISIL A3+	26-05-16	CRISIL BBB/Stable	CRISIL BBB-/Stable/ CRISIL A3
Non Fund-based Bank Facilities	LT/ST	13.50	Withdrawn			30-08-18	CRISIL A2	22-08-17	CRISIL A3+	26-05-16	CRISIL BBB/Stable/ CRISIL A3+	CRISIL BBB-/Stable/ CRISIL A3

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	37.5	Withdrawn	Cash Credit	37.5	CRISIL BBB+/Stable
Letter of Credit	13.5	Withdrawn	Letter of Credit	13.5	CRISIL A2
Proposed Long Term Bank Loan Facility	25	Withdrawn	Proposed Long Term Bank Loan Facility	25	CRISIL BBB+/Stable
Proposed Short Term Bank Loan Facility	3.55	Withdrawn	Proposed Short Term Bank Loan Facility	3.55	CRISIL A2
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 Bank Loan Ratings](#)
[CRISILs Criteria for rating short term debt](#)
[The Rating Process](#)
[Understanding CRISILs Ratings and Rating Scales](#)
For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Mohit Makhija Director - CRISIL Ratings CRISIL Limited B: +91 124 672 2000 mohit.makhija@crisil.com</p> <p>Dinesh Jain Associate Director - CRISIL Ratings CRISIL Limited D: +91 44 6656 3115 Dinesh.Jain@crisil.com</p> <p>Madhumitha Srinivasan Rating Analyst - CRISIL Ratings CRISIL Limited D: +91 44 6656 3118 madhumitha.srinivasan@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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