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ICRA downgrades the long term rating of the bank lines of Action Retail Ventures Private Limited from LBBB- to LBB; assigns stable outlook

ICRA has downgraded the long term rating assigned to the Rs. 5.00 crore¹ fund based working capital limits and Rs. 6.60 crore term loan (earlier Rs. 8.80 crore term loan) of Action Retail Ventures Private Limited (ARVPL)[†] from LBBB- (pronounced L triple B minus) to LBB (pronounced L double B) and assigned a stable outlook to the rating.

The rating downgrade takes into account the weakening of the financial profile of the company given the heavy inventory losses in FY09 resulting in reduction of net worth base and consequent high gearing. The rating is also constrained by ARVPL's moderate scale of operations, high competitive intensity, its low profitability and its high working capital intensive nature of business. However, the rating continues to derive comfort from ARVPL's experienced management and the benefits enjoyed by the company being a part of the well-established Action Group such as established brand and pan India distribution network.

Company Profile

Action Retail Ventures Private Limited (ARVPL) is a part of Action group having interest in various sectors such as Footwear, Hospitals, Iron and Steel, Power Backup Devices and Real Estate etc. The company was incorporated in FY2006 to serve as retailing arm for the footwear business of the group. The company buys footwear from Nikhil Footwear Private Limited and then sells it to the distributors.

Recent Results

The company reported a net profit after tax of Rs. 0.40 crore on an operating income of Rs. 25.14 crore in FY 2010.

For further details please contact:

Analyst Contacts:

Mr. Vikas Aggarwal (Tel No. +91-124-4545300)
vikas@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur, (Tel. No. +91-124-4545310)
vivek@icraindia.com

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

¹100 lakh = 1 crore = 10 million

[†]For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA rating publications

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