October 17, 2023

Stanley Lifestyles Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long term - Fund-based Facilities	15.00	15.00	[ICRA]A(Stable)
Short term - Non-fund based	35.00	35.00	[ICRA]A1
Long term/ Short term - Unallocated	6.78	6.78	[ICRA]A(Stable)/ [ICRA]A1
Total	**56.78**	**56.78**	

**Instrument details are provided in Annexure-I*

Rationale

Material Event

Following the receipt of FY2023 audited financial statements of Stanley Lifestyles Limited (SLL) and Stanley Retail Limited (SRL, a wholly-owned subsidiary of SLL) on October 6, 2023, ICRA has observed disclosures made by the auditor about delays in EMI payments during the last fiscal on vehicle loans availed by these two entities. The audit reports highlighted three instances of delays (ranging from 4-7 calendar days) on EMI payments for an unrated vehicle loan of SLL, and eight instances of delays (ranging from 1-6 calendar days) on EMI payments for a vehicle loan of SRL. ICRA does not rate any borrowing facility of SRL.

Impact of Material Event

ICRA notes that for both these vehicle loans availed by SLL and SRL, auto debit instructions were given by the companies to the respective lenders. Despite SLL and SRL maintaining more than adequate liquidity buffers in the accounts designated for these auto debits, the same could not be executed by the lenders in the instances highlighted by the auditor. ICRA views that the occurrences of these delays are solely because of technical reasons/errors, beyond the control of SLL/ SRL, and that such occurrences are not a reflection of the lack of ability or willingness of the entities to pay their debt obligations. Therefore, these occurrences are not treated as defaults, in line with ICRA's policy on default recognition. SLL's ratings remain unchanged at [ICRA]A(Stable)/ [ICRA]A1.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, List of entities considered for consolidated analysis, Liquidity position, Rating sensitivities: **Click here**

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology- Retail Policy on Default Recognition
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidated financial statements of the issuer. SLL has 3 subsidiaries and 4 step-down subsidiaries, details of which can be seen in Annexure II

About the company

SLL, established in 1996 in Bangalore as a partnership firm, was re-constituted as a public limited company in 2007. It manufactures leather-based seat covers for cars and leather sofas from its manufacturing facility in Bommasandra, Bangalore, for the automobile upholstery and furniture segments. The manufacturing facility spreads across 3.5 lakh sq. ft and employs ~1,000 employees. Within the automobile upholstery segment, SLL mainly caters to original equipment manufacturers (OEM) like Toyota Kirloskar Limited and tier-1 OEM suppliers. Under the furniture segment, SLL manufactures leather sofas and recliners and sells them through its own network of retail stores under its Group company, Stanley Retail Limited (SRL), and through other franchisees and dealers. The company also undertakes imported furniture trading, catering to the customer requirements of its branded retail operations.

SRL is a 100% subsidiary of SLL, which was incorporated in May 2008, to undertake the retail business for the Group. SRL purchases from SLL and sells through its own retail stores and subsidiaries under the brands Stanley Boutique, Level Next and Sofas & More. The Stanley Group has 38 owned retail outlets – 20 in Bangalore, four in Mumbai, four in Delhi, one in Chennai and nine in Hyderabad. SRL has experimented with a new furniture retail format by opening India's largest home decor mall, Stanley Level Next in Hosur Road**,** Bangalore, housing over 50 international brands in March 2017.

Stanley OEM Sofas Limited was incorporated in September 2015 to primarily cater to IKEA, an international furniture maker and to expand its operations in the export market. Its manufacturing facility is in the same complex as SLL, in Bommasandra, Bangalore, with dedicated units to cater to IKEA orders for its East European and Middle Eastern operations.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	292.2	419.0
PAT	23.2	35.0
OPBDIT/OI	20.7%	20.1%
PAT/OI	7.9%	8.3%
Total outside liabilities/Tangible net worth (times)	1.0	1.0
Total debt/OPBDIT (times)	2.1	1.8
Interest coverage (times)	5.0	5.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA

The company is not cooperating with CRISIL and has rating of CRISIL B+/Stable/A4; ISSUER NOT COOPERATING vide its press release dated February 22, 2023. CRISIL has mentioned in the press release that SLL did not provide the requisite information needed to conduct the rating exercise and therefore has been classified as 'non cooperative'.

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Oct 17, 2023	Nov 30, 2022	Aug 20, 2021	Aug 13, 2020
1	Fund Based- Cash credit	Long term	15.00	3.94	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Non-fund Based	Short term	35.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+
3	Unallocated	Long term/ Short term	6.78	-	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-Term – Fund Based – Cash Credit	Simple
Short-Term – Non-Fund based	Very Simple
Long-Term/ Short-Term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long Term- Cash Credit	NA	NA	NA	15.00	[ICRA]A(Stable)
NA	Short Term -Non Fund Based-Letter of Credit	NA	NA	NA	35.00	[ICRA]A1
NA	Long term/ Short term - Unallocated	NA	NA	NA	6.78	[ICRA]A(Stable)/ [ICRA]A1

Source: Company

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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.

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