

September 16, 2024

SSIPL Lifestyle Private Limited: Long-term rating downgraded and short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	33.00	40.00	[ICRA]BB- (Stable); downgraded from [ICRA]BB (Stable)
Long-term– Fund based – Term loans	16.88	12.41	[ICRA]BB- (Stable); downgraded from [ICRA]BB (Stable)
Short term- Non fund based	1.00	1.00	[ICRA]A4; reaffirmed
Unallocated	3.12	0.59	[ICRA]BB- (Stable); downgraded from [ICRA]BB (Stable)
Total	54.00	54.00	

*Instrument details are provided in Annexure-I

Rationale

For arriving at the ratings, ICRA has combined the business and financial risk profiles of SSIPL Retail Limited (SRL) and its wholly-owned subsidiary, SSIPL Lifestyle Private Limited (SLL), collectively referred to as the SSIPL Group.

The revision in the ratings factors in the significant erosion of the net worth position of the Group, driven by operating losses in FY2024 (as per provisional estimates) due to inventory write-offs undertaken in the Lotto distribution business, part-provision undertaken for overdue receivables and rationalisation of stores. Additionally, the contract manufacturing business suffered losses during the year due to stretched liquidity position and was ultimately sold off via slump sale at a loss of Rs. 27 crore. The sale proceeds from the slump sale were used to repay the debt and pay off the creditors in SRL's business. Overall, the Group's financial performance in FY2024 was weaker than anticipated with consolidated revenues recording a fall of more than 20% on a YoY basis and the company reporting operating and net losses. The liquidity position of the Group continues to remain stretched, as evident from full utilisation of working capital limits, which was enhanced in June 2024. The Group still has large pending receivables with Rs. 20.7 crore remaining overdue for more than 180 days. Any large write-offs in the same could impact the profitability and will be a key monitorable. ICRA also notes the working capital intensive nature of SLL's operations due to high inventory holding.

In FY2025, the management plans to add 30 new stores in SLL under its Sports Station brand to support the revenues. ICRA also notes the other initiatives undertaken by the management, including introduction of private label brands, improvement in the product assortment, among others to increase the profit margins. These remain key rating monitorables. As SLL ramps up new stores, its ability to efficiently manage working capital cycle remains critical, especially in the backdrop of its weak liquidity position. The operational risks are also heightened, considering the intense competition in the industry. Besides, the retail segment is susceptible to changes in consumer preferences and inventory obsolescence risks.

The long-term rating continues to draw comfort from the Group's long track record in the sportswear and apparel retailing, and distribution business as well as its established relationship with reputed sportswear/apparel companies

The Stable outlook on the rating reflects ICRA's opinion that the credit profile of the Group is expected to improve gradually, supported by new stores and various other product development initiatives undertaken by the management. The Group has also closed several loss-making stores in FY2024, which will also lend support to the profit margins, going forward.

Key rating drivers and their description

Credit strengths

Established track record of the Group in footwear and sportswear manufacturing and retailing industry – SLL, a wholly-owned subsidiary of SRL, is a retailer of renowned and established footwear brand, Levi's, and operates several multi-brand outlets (MBOs) under the brand name, Sports Station. Moreover, the Group has requisite BIS approvals in place. The promoters' long experience in retailing of branded merchandise and sportswear has helped the company in establishing strong relationships with its suppliers and customers.

Long association with reputed brands – As on June 30, 2024, the Group has a network of 98 retail stores, comprising 56 exclusive business outlets (EBOs) and 38 MBOs. Levi's accounts for 45% of the company's outlets, followed by Sports Station, which accounts for 40% of total retail stores.

Credit challenges

Significant erosion of net worth and stretched liquidity position – The net worth position of the Group significantly eroded in FY2024, driven by operating losses due to inventory write-offs undertaken in the Lotto distribution business, part-provision undertaken for overdue receivables and rationalisation of stores. Additionally, the contract manufacturing business suffered losses during the year due to stretched liquidity position and was ultimately sold off via slump sale at a loss of Rs. 27 crore. The sale proceeds from the slump sale were used to repay the debt and pay off the creditors in SRL business. However, at the consolidated level, the leverage and coverage metrics weakened as the company reported operating and net losses. Moreover, the liquidity position remained stretched, led by overdue receivables pertaining to the Lotto business. Receivables of more than 18 days stood at Rs. 20.7 crore as on March 31, 2024, which largely pertain to the Lotto business and are under litigation.

High working capital intensity of operations – The Group's working capital intensity has traditionally been high owing to high stock levels and liberal credit period offered in the distribution business. The retail segment is a minimal credit period business, and the Group maintains an inventory of 3-4 months and receives credit of one month from its vendor. The Group still has large pending receivables with Rs. 20.7 crore remaining overdue for more than 180 days, of which Rs. 8.3 crore relates to the Lotto business

Intense competition in industry – The Group faces intense competition in the retail segment. It competes with other retailers appointed by its customers brands, and also with retailers of other competing brands present in the same segment, besides competition from the online retail segment. Further, the retail segment is susceptible to changes in tastes as well as consumer preferences, and inventory obsolescence risks.

Risk of discontinuation or unfavourable changes in key client agreements – The Group continues to face the risk of non-renewal of contracts/unfavourable changes in commercial agreements with its key clients. This could adversely impact the operations of the Group. Moreover, with discontinuation of contract manufacturing segment and the Group limiting its operations to retailing of Levis and Sports Station, any risk of discontinuation or reduction in stores can further affect the credit profile of the Group.

Liquidity position: Stretched

The liquidity position of the Group is stretched with full utilisation of working capital limits (which were enhanced in June 2024) in July 2024. Besides, additional working capital requirements will arise as SLL operationalises new stores during the fiscal. Moreover, the Group has planned capex of around Rs. 8.0 crore in FY2025, which will be funded by term loan of Rs. 5.00 crore (already sanctioned) and internal accruals while the debt repayment stands at around Rs. 5.9 crore and Rs. 5.0 crore in FY2025 and FY2026, respectively.

Rating sensitivities

Positive factors – The ratings are likely to be upgraded if the Group reports a healthy and sustained growth in its revenues and profitability, along with an improvement in the working capital cycle, resulting in improved debt coverage metrics and liquidity profile.

Negative factors – Sustained pressure on revenues, profitability, and debt coverage metrics, or a further weakening of the liquidity position, may trigger ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Retail Rating Methodology - Footwear
Parent/Group support	NA
Consolidation/Standalone	ICRA has considered the consolidated financials of SSIPL Retail Limited and combined the business profiles of SSIPL Retail Limited (SRL) and SLL to arrive at the ratings. List of entities considered for consolidated analysis has been given in Annexure II

About the company

SSIPL Lifestyle Private Limited (SLL), a wholly-owned subsidiary of SRL, is involved in retailing of brands like Levi's and UCB through EBOs and operates several MBOs under the brand name, Sports Station. The promoters of the company, Mr. Rishab Soni, Mr. Sunil Taneja and Mr. Amit Mathur are actively involved in the day-to-day business operations.

SRL was involved in contract manufacturing of footwear for reputed brands like Puma, Asics and Adidas. It was also involved in retailing of Nike footwear till recently. The promoters of the company, Mr. Rishab Soni, Mr. Sunil Taneja and Mr. Amit Mathur are actively involved in the day-to-day business operations of SRL. Subsequently, the business has been sold on a slump sale basis with effective date of March 31, 2024.

Key financial indicators (audited)

SRL Consolidated	FY2023	FY2024*
Operating income	667.1	551.2
PAT	48.8	-85.1
OPBDIT/OI	4.2%	-4.0%
PAT/OI	7.3%	-15.4%
Total outside liabilities/Tangible net worth (times)	3.4	29.5
Total debt/OPBDIT (times)	5.2	-8.1
Interest coverage (times)	1.4	-0.8

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022
			Sept 16, 2024	Dec 19, 2023	Sep 22, 2023	May 26, 2022	Jan 24, 2022	Nov 29, 2021
1 Cash Credit	Long term	40.00	[ICRA]BB-(Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Negative); ISSUER NOT COOPERATING; Withdrawn	[ICRA]BB (Negative); ISSUER NOT COOPERATING	[ICRA]BB (Negative)
2 Term loans	Long term	12.41	[ICRA]BB-(Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Negative); ISSUER NOT COOPERATING; Withdrawn	[ICRA]BB (Negative); ISSUER NOT COOPERATING	[ICRA]BB (Negative)
3 Unallocated	Long term	0.59	[ICRA]BB-(Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-	-
4 Non-fund-based Limits	Long term	-	-	-	-	[ICRA]BB (Negative); ISSUER NOT COOPERATING; Withdrawn	[ICRA]BB (Negative); ISSUER NOT COOPERATING	[ICRA]BB (Negative)
5 Non fund based	Short term	1.00	[ICRA]A4	[ICRA]A4	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based Limits- Cash Credit	Simple
Term loans	Simple
Unallocated	Not applicable
Non fund based	Very simple

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	Fund based Limits-Cash Credit	NA	NA	NA	40.00	[ICRA]BB- (Stable)
NA	Term loans	28-07-2021	9.25%	30-09-2027	12.41	[ICRA]BB- (Stable)
NA	Unallocated	NA	NA	NA	0.59	[ICRA]BB- (Stable)
NA	Non fund based	NA	NA	NA	1.00	[ICRA]A4

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	SRL Ownership	Consolidation Approach
SSIPL Retail Limited	Parent	Full Consolidation
SSIPL Lifestyle Private Limited	100% (Entity being rated)	Full Consolidation

Source: company; Note: ICRA has taken a consolidated view of the parent, its subsidiaries and associates while assigning the ratings.

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