February 05, 2025

House of Anita Dongre Private Limited: Ratings downgraded to [ICRA]BBB- (Negative)/ [ICRA]A3

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating action
Long-term / Short-term – Fund based – Working Capital Facilities	10.00	10.00	[ICRA]BBB- (Negative)/ [ICRA]A3; downgraded from [ICRA]BBB (Negative)/ [ICRA]A3+
Long-term / Short-term – Unallocated Limits	10.00	10.00	[ICRA]BBB- (Negative)/ [ICRA]A3; downgraded from [ICRA]BBB (Negative)/ [ICRA]A3+
Total	**20.00**	**20.00**	

** Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of House of Anita Dongre Private Limited (HOADPL), which includes its subsidiaries, while assigning the credit ratings, given the common management and significant operational and financial linkages among them. HOADPL has also extended corporate guarantee towards the bank facilities availed by Ochre and Black Private Limited (OBPL).

The ratings downgrade and continuation of the Negative outlook on the long-term rating factors in the significant deterioration in the Group's performance in FY2024 on the back of write-off of old/ non-moving inventory and selling inventory by giving higher discounts. Soft retail demand accentuated the situation. Although ICRA expects some recovery in the current fiscal, the extent of the same remains uncertain (though profitability improved till December 2025) due to the Group's weak operating performance and reduction in the scale of operations. The revenue of the Group is expected to moderate significantly in the current fiscal as well, though the extent of loss on a YoY basis is likely to sharply reduce owing to various measures taken by the management, which include closure of a large number of loss-making stores, reduction in the quantum of discount on a YoY basis, premiumisation of products, among others. Post a rejig in the top management in March 2023, the Group's promoters implemented a new strategy amid industry-wide demand headwinds. The Group closed 503 and 119 under-performing retail locations in FY2024 and 9M FY2025, respectively (including 58 and 26 exclusive brand outlets in FY2024 and 9M FY2025, respectively), many of which were opened in tier-II and tier-III cities over the last two to three years, along with shutting down three brands – AND Girl (western kid's wear), Global Desi Girl (ethnic kid's wear) and ITSE (economy ethnic wear). The corresponding inventory was liquidated at steep discounts to manage cash flows, which impacted the Group's revenue and profitability in FY2024 and 9M FY2025. Going forward, the company is likely to remain conservative about new store addition with an aim on improving the profitability of the existing stores and deepening its presence in the larger cities with a focus on premiumisation of products. ICRA expects the Group's revenue to remain in the range of Rs. 340-390 crore in FY2025 and FY2026, against Rs. 439 crore in FY2024 and Rs. 601 crore in FY2023, with an operating profit margin (OPM) of 17-22%. The Group's debt coverage indicators are projected to remain constrained with an interest cover of less than 2.5 times and total debt/OPBDITA of more than 3.0 times in FY2025, which are likely to gradually improve from FY2026. The Group's overall working capital intensity is also likely to improve with the likely reduction in inventory holding due to a decline in the overall scale of operations.

The ratings continue to draw strength from the strong brand presence of the Group's flagship brands, AND, Global Desi and Anita Dongre in the domestic women's wear category as well as its established pan-India multi-channel distribution network. The ratings also derive comfort from the Group's experienced promoters in the fashion industry with Ms. Anita Dongre overseeing the creative function for the Group. The Group opened its second Anita Dongre brand store in UAE in November

2024 and plans to launch its second Anita Dongre brand store in Los Angeles, USA by June 2025. Going forward, international expansion would remain a key growth driver for the Group.

The ratings, however, remain constrained by the high brand concentration risk and high utilisation of the working capital limits due to large inventory holding requirements, which expose the company to inventory write-off risks in the face of rapidly changing fashion trends and consumer preferences. The ratings also factor in the vulnerability of the business to adverse market conditions due to factors including lower discretionary spending and intense competition in the highly fragmented apparel retail industry.

Key rating drivers and their description

Credit strengths

Strong brand equity of flagship brands – The Group has an established presence in the women's wear segment with its western wear brand, AND (launched in 1999), and fusion wear brand, Global Desi (launched in 2009). The two flagship brands accounted for the major portion of the Group's revenue in FY2024 with the balance contributed by the luxury designer wear brand, Anita Dongre. The flagship brands continue to enjoy a healthy brand recall in the domestic branded apparels market, which is expected to translate into sustained store footfalls. In FY2024, the Group has shut down three brands – AND Girl, Global Desi Girl and ITSE – due to weaker-than-expected traction.

Established distribution network – The Group has built a pan-India presence through exclusive brand outlets (EBOs; both company owned and franchised), and large-format stores (LFS). After rapidly expanding through addition of retail locations till FY2023, the company closed 503 underperforming stores in FY2024 and 119 stores in 9M FY2024, mainly in tier-II and tier-III cities. As on December 31, 2024, the Group had 124 EBOs and 460 LFS, focused on metros and tier-I cities. Going forward, the Group intends to focus on company operated EBOs and is expected to remain conservative in store additions and focus on improving the profitability of its existing stores by reducing the quantum of discounts while deepening its presence in the existing markets and premiumising its product line. The Group also has a presence in the e-commerce channel (marketplaces and own website), which is likely to continue to account for 15-20% of revenues over the medium term.

Experienced promoters and management team – The Group's promoters have extensive experience in the fashion industry with Ms. Anita Dongre overseeing the creative function for the Group. They are ably supported by an experienced management team.

Credit challenges

Moderate financial risk profile – The Group's financial risk profile remains moderate with a leveraged capital structure, characterised by a gearing and TOL/TNW of 3.8 times and 4.9 times, respectively, as on March 31, 2024, which deteriorated from 2.3 times and 3.5 times, respectively, as on March 31, 2023. In FY2024, the Group witnessed a 27% YoY decline in the top line to Rs. 439 crore and posted a cash loss of ~Rs. 2 crore. Although ICRA expects the Group's revenue to moderate significantly in the current fiscal as well, the extent of loss on a YoY basis is likely to reduce sharply owing to various measures taken by the management. Till December 2024, the Group generated revenue worth ~Rs. 270 crore with an operating profit of ~Rs. 58 crore. The debt coverage metrices are expected to improve gradually with a likely recovery in the overall business profile.

High utilisation of working capital limits restricts financial flexibility – The Group's business remains working capital intensive with high inventory holding requirements for existing as well as new stores. Apart from increased funding requirements, the large inventory translates into high risk of obsolescence due to the fast-changing fashion trends, resulting in steep discounting and/or inventory write-offs, which impact profitability. The inventory level stood at 170-180 days during FY2021-FY2023. However, it declined to ~95 days in FY2024 due to the Group's initiatives to clear old inventory, which improved its inventory ageing profile and the overall working capital requirement. Going forward, the Group's inventory days are likely to remain at the same level and the Group's ability to efficiently manage its inventory levels, while targeting growth, will remain a crucial determinant of its credit profile.

Vulnerability of revenue and margins to changing consumer preferences and evolving macro-economic environment; exposed to intense competition – The Group's revenues, profitability and cash accruals, like other apparel retailers, are closely linked to macro-economic conditions and spending patterns, particularly considering the discretionary nature of its products. Lower disposable income due to persistent high inflation could have a material adverse impact on the Group's business prospects. Besides, its sales remain vulnerable to fast-changing fashion trends and evolving consumer preferences. The women's wear segment is very competitive with the presence of various branded and unbranded players. The Group faces stiff competition from foreign brands like Zara and H&M, which are rapidly increasing their footprint in the country, albeit in metros and tier-I cities. Numerous national, regional and local brands and boutiques also add to the competition, resulting in intense price pressure and high discounts, which may impact the Group's profitability.

Liquidity position: Stretched

The Group's liquidity is stretched, as reflected by negative fund flow from operations of ~Rs. 22 crore in FY2024. Decline in scale of operations and reduction in the inventory holding resulted in positive cash flow from operations. The Group also has limited buffer in working capital with 91% average utilisation during the 12-month period ending in December 2024. ICRA expects the Group to generate cash flow from operations of ~Rs. 90 crore in FY2025, supported by a sizeable reduction in working capital requirement. The Group availed a fresh term loan of Rs. 15 crore in FY2024 and the promoters have also infused fresh unsecured loan of ~Rs. 5 crore in FY2024, which adds to the liquidity cushion. Against this, the Group has debt repayment obligation of Rs. 8-9 crore (excluding lease liabilities of ~Rs. 64 crore) in FY2025 with minimal cash capex requirements.

Rating sensitivities

Positive factors – The outlook may be changed to Stable if the Group demonstrates a sustained improvement in its debt protection metrics and liquidity position while achieving profitable scale-up of operations.

Negative factors – Pressure on the ratings could arise if the company is unable to sustain the improvement in the margins witnessed during the current fiscal and the company is unable to improve its liquidity position. Specific credit metrics that could trigger ratings downgrade include an interest cover below 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Apparels
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HOADPL as enlisted in Annexure II

About the company

House of Anita Dongre Private Limited (HOAD) is involved in designing, manufacturing and retailing of apparel. In July 2015, the Group was renamed House of Anita Dongre Private Limited (HOADPL) from AND Designs India Limited. On March 28, 2019, the board of HOADPL, as a part of its corporate restructuring process, transferred the businesses under its two brands, 'AND' and 'Global Desi' to a newly formed wholly-owned subsidiary, Ochre and Black Private Limited (OBPL). HOADPL continues to house the two high-end brands, 'Anita Dongre' and 'Grassroots'.

The HOAD Group is present in the women's wear category, with a product range spanning western wear, Indo-western wear and traditional Indian wear. The Group is present in both the mass premium and high-end luxury fashion segments. Currently, the Group is wholly owned by the promoters, their relatives and family members.

Key financial indicators (audited)

HOAD Group (Consolidated)	FY2023	FY2024
Operating income	601	439
PAT	0.4	-90.4
OPBDIT/OI	19.1%	3.9%
PAT/OI	0.1%	-20.6%
Total outside liabilities/Tangible net worth (times)	3.5	4.9
Total debt/OPBDIT (times)	3.3	17.5
Interest coverage (times)	3.1	0.5

Source: Company, ICRA Research; 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)	February 05, 2025	January 16, 2025	FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating
Working Capital Facilities	Long term/ Short term	10.00	**[ICRA]BBB- (Negative)/ [ICRA]A3**	**[ICRA]BBB (Negative)/ [ICRA]A3+**	Jan 31, 2024	**[ICRA]BBB (Negative)/ [ICRA]A3+**	Oct 07, 2022	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	Mar 28, 2022	**[ICRA]BBB+ (Negative)/ [ICRA]A2**
Unallocated Limits	Long term/ Short term	10.00	**[ICRA]BBB- (Negative)/ [ICRA]A3**	**[ICRA]BBB (Negative)/ [ICRA]A3+**	Jan 31, 2024	**[ICRA]BBB (Negative)/ [ICRA]A3+**	Oct 07, 2022	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	Mar 28, 2022	**[ICRA]BBB+ (Negative)/ [ICRA]A2**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/ Short-term fund-based – Working Capital Facilities	Simple
Long-term/ Short-term – Unallocated Limits	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	**Working Capital Facilities**	NA	NA	NA	10.00	[ICRA]BBB- (Negative)/ [ICRA]A3
NA	**Unallocated Limits**	NA	NA	NA	10.00	[ICRA]BBB- (Negative)/ [ICRA]A3

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	Ownership	Consolidation Approach
House of Anita Dongre Private Limited	- (rated entity)	Full Consolidation
Ochre and Black Private Limited	100.0%	Full Consolidation
House of Anita Dongre (USA) Inc.	100.0%	Full Consolidation
The Anita Dongre Foundation	100.0%	Full Consolidation
HOAD LLC	100.0%	Full Consolidation
Anita Dongre PVT LTD	100.0%	Full Consolidation

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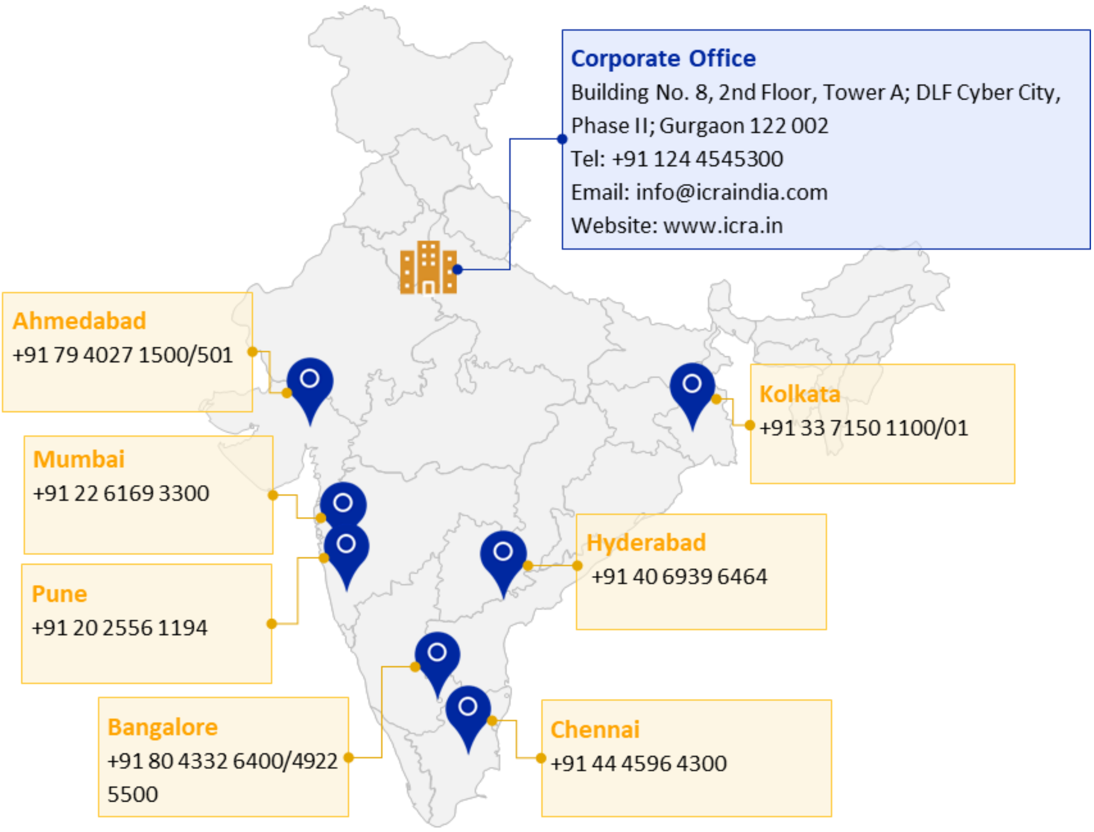

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