August 29, 2023

Caratlane Trading Pvt Ltd: Update on Entity

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Commercial Paper	341.00	341.00	[ICRA]A1+
Total	**341.00**	**341.00**	

**Instrument details are provided in Annexure-1*
Note: Total borrowing under commercial paper and working capital bank limits to remain within an overall limit of Rs. 1,250 crore. Commercial paper borrowing to be capped at Rs. 341 crore.

Rationale

Material Event

On August 19, 2023, Titan Company Limited [Titan, rated [ICRA]AAA(Stable)/[ICRA]A1+] announced that it has entered into a share purchase agreement to acquire 91,90,327 equity shares held by the founder of Caratlane Trading Private Limited (CTPL), representing 27.18% of the paid-up equity share capital of the company, on a fully diluted basis, for a cash consideration of Rs. 4,621 crore. The transaction is expected to be completed by October 31, 2023, subject to necessary approvals from the Competition Commission of India (CCI).

Impact of Material Event

ICRA has taken note of the development and is of the opinion that the same does not have any material impact on the credit profile of CTPL. The outstanding rating for CTPL's commercial paper programme continues to derive comfort from the strong operational, financial and managerial linkages between CTPL and Titan. Upon completion of the transaction, Titan's shareholding in CTPL is set to increase to 98.28% of the equity share capital, on a fully diluted basis, from its current shareholding of 71.09%, which is likely to further strengthen the linkages between the companies. The rating remains outstanding at [ICRA]A1+ for the commercial paper programme of CTPL.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Gems & Jewellery (Retail) Rating Approach – Implicit Parent or Group Support
Parent/Group support	**Parent: Titan Company Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+** The rating assigned to CTPL factors in the high likelihood of its parent, Titan Company Limited, extending need-based financial support to CTPL, given its strategic importance to Titan, strong business linkages between them and out of the need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CTPL, including its subsidiary, as detailed in Annexure II.

About the company

Caratlane Trading Private Limited (CTPL), incorporated in 2007, is a jewellery retail company that operates the Caratlane brand with the major portion of its business coming from the studded jewellery segment. CTPL operates through online as well as offline retail channels. It has 222 stores across 88 cities in India as on March 31, 2023. Titan Company Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+) holds a 72.08% equity stake in CTPL, as on March 31, 2023.

Key financial indicators

CTPL Consolidated	FY2022 (audited)	FY2023 (audited)	Q1 FY2024 (abridged)
Operating income (Rs. crore)	1,256	2,169	638
PAT (Rs. crore)	89	82	10
OPBDIT/OI (%)	6.7%	9.3%	7.9%
PAT/OI (%)	7.1%	3.8%	1.6%
Total outside liabilities/Tangible net worth (times)	6.8	6.9	N.A.
Total debt/OPBDIT (times)	6.4	5.2	N.A.
Interest coverage (times)	3.1	3.7	2.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; N.A. – Not available

Status of non-cooperation with previous CRA: Not applicable

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 Jun 30, 2023 (Rs. crore)	Date & Rating in		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Aug 29, 2023	Jun 05, 2023	Jun 06, 2022	Feb 04, 2022	Feb 05, 2021	Jun 12, 2020
1	**Commercial Paper**	Short-term	341.00	215.00	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper Programme	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 analyzing 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, is 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
INE015Y14476	**Commercial Paper**	Jun 09, 2023	7.30%	Sep 06, 2023	55.00	[ICRA]A1+
INE015Y14484	**Commercial Paper**	Jun 15, 2023	7.30%	Sep 12, 2023	55.00	[ICRA]A1+
INE015Y14492	**Commercial Paper**	Jul 07, 2023	7.30%	Oct 04, 2023	60.00	[ICRA]A1+
INE015Y14500	**Commercial Paper**	Aug 28, 2023	7.26%	Nov 24, 2023	60.00	[ICRA]A1+
N.A.*	**Commercial Paper**	-	-	-	111.00	[ICRA]A1+

*Source: Company; * Yet to be placed*

Note: Total borrowing under commercial paper and working capital bank limits to remain within an overall limit of Rs. 1,250 crore. Commercial paper borrowing to be capped at Rs. 341 crore.

Annexure-II: List of entities considered for consolidated analysis

Company Name	CTPL's Ownership	Consolidation Approach
Caratlane Trading Private Limited	-	Full Consolidation
StudioC Inc.	100.00%	Full Consolidation

Source: CTPL annual report FY2023

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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.

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