

## Royalex Fashions (India) Private Limited

Instrument	Amount (Rs. Crore <sup>1</sup> )	Rating Action
Long Term-Term Loan	10.00 (enhanced from nil)	[ICRA]BBB (Stable) assigned
Long Term - Fund Based- Cash Credit	21.00	[ICRA]BBB (Stable) re-affirmed
Short Term-Fund Based-SLC	2.00	[ICRA]A2 re-affirmed
Short Tem- Non Fund Based- LC	0.05	[ICRA]A2 re-affirmed

ICRA has reaffirmed the long term rating of [ICRA]BBB (pronounced ICRA triple B) assigned to the Rs. 21 crore fund based facility of Royalex Fashions (India) Private Limited. ICRA has also reaffirmed the short-term rating of [ICRA]A2 (pronounced ICRA A two) assigned to the Rs.2.05 crore fund based and non fund based facility of Royalex Fashions (India) Private Limited (RFIPL). ). ICRA has also assigned long term rating of [ICRA]BBB (pronounced ICRA triple B) to the Rs. 10.0 crore (enhanced from nil) term loan facilities of RFIPL. The outlook on the long-term rating is 'Stable'.

The ratings reaffirmation take into account the strong brand presence of the RFIPL's brand, Pan America, in the domestic apparel market which along with an established distribution network and a wide product range has resulted in steady revenue growth with stable profitability and accruals. Moreover, the asset light model of operations, with outsourcing of most of the manufacturing operations and presence of a strong distribution network, has kept the capital requirements low, resulting in healthy return on capital. RFIPL had been incurring capital expenditure over the past two fiscals towards construction of the centralized warehouse for apparels. With completion of the capacity expansion in FY2017 and no major capital expenditure planned over the medium term, ICRA expects the accruals to be significantly higher than scheduled debt repayments and hence can fund a large proportion of the incremental working capital requirements thereby keeping the debt levels steady and financial profile healthy. The ratings also factor in vast experience of the promoters in the textile industry who are supported by a professional management team.

The ratings, however, continue to remain constrained by the moderately high work capital intensity of operations which is on account of high inventory levels and credit sales to distribution channel partners which keep the funding requirement high. The ratings also remains constrained by RFIPL's vulnerability to adverse economic conditions, like weakness in consumer spending and high competitive intensity in the domestic apparel market, given the company's presence in the economy segment of branded apparels, which is highly fragmented.

Going forward, the company's ability to maintain steady revenue growth while keeping its margins intact to generate sufficient internal accruals would remain a key rating sensitivity. ICRA takes note of the adverse impact of demonetization on the disposal incomes and hence consumer spending which may result in slowdown in the domestic demand for apparels in the immediate term.

### About the company

Incorporated in 1997, Royalex Fashions (India) Private Limited (RFIPL) is in the business of selling men's readymade garments primarily in the domestic market. RFIPL specializes in men's wear, which is marketed through its flagship brand "Pan America". The product portfolio comprises a range of formal shirts, wrinkle-free formal trousers, cotton trousers, casual shirts and a range of party wear designer collection under the sub-brand "Corporate", "Legend" and "Platinum". In addition to this, RFIPL had also entered into denim wear (jeans) segment for men in 2012 thereby further diversifying its product portfolio. The Company has been promoted by Mr. Govinda Reddy and Mr. Rajkumar Lalwani, who have experience of more than a decade in the manufacturing and marketing of readymade garments. The promoters were later joined by Mr. Ashok Bhandari, who had wide experience in logistics and channel management.

<sup>1</sup> 100 lakhs = 1 crore = 10 millions



## Result Results

For the financial year 2015-16, the company reported a net profit of Rs.7.1 crore on an operating income of Rs. 171.7 crore, as against a net profit of Rs. 6.6 crore on an operating income of Rs. 154.8 crore in 2014-15.

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