



ITFL/SEC/2020-21/MAY/01

08th May, 2020

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400001

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai- 400051

Scrip Code - 533329

NSE Symbol: INTERRAIN

Dear Sir/Madam,

Sub: Intimation of re-affirmed Credit ratings

Ref.: Reg.30 of SEBI (LODR) Regulations, 2015

This is to inform that ICRA Limited has re-affirmed the ratings on the Bank facilities availed by the Company as detailed below.

Total Bank facilities rated : Rs.60.00 Crores

Rating on Long-Term scale : [ICRA] A- (Negative)

The outlook on the long-term rating has been revised to Negative from Stable.

Rating on Short-Term scale : [ICRA] A2+

The report of ICRA Limited dated 07th May, 2020 for re-affirming the credit ratings along with the rating rationale is enclosed.

This is for your information and records. Kindly acknowledge the receipt of the same.

Thanking you,

Yours faithfully,

For Indian Terrain Fashions Limited

Ravi B.S.G
Company Secretary & Compliance officer

INDIAN TERRAIN FASHIONS LIMITED

SDF-IV & C2, 3rd Main Road, MEPZ / SEZ, Tambaram, Chennai - 600 045. Tel: +91-44-4227 9100
Registered office: No. 208, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-600 100
Email ID: response.itfl@indianterrain.com
Website: www.indianterrain.com
L18101TN2009PLC073017

INDIAN TERRAIN



ICRA

ICRA Limited

Ref: ICRA:BLR: 2020-21/RT-BASEL/66

May 7, 2020

Mr. Charath Ram Narsimhan
Managing Director
Indian Terrain Fashions Limited,
SDF IV & C2, 3rd Main Road,
MEPZ / Special Economic Zone,
Tambaram, Chennai,
Tamil Nadu – 600 045

Dear Sir,

Re: ICRA-assigned Credit Rating for Rs. 60.00 crore Lines of Credit of Indian Terrain Fashions Limited
(instrument details in *Annexure*)

Please refer the Rating Agreement dated March 29, 2019 between ICRA Limited (“ICRA”) and your company, whereby, ICRA is required to review the ratings assigned to your company on an annual basis or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration, has reaffirmed the long-term rating for the captioned Line of Credit (LOC) at **[ICRA]A-** (pronounced ICRA A minus).[†] The Rating Committee of ICRA has also reaffirmed the short-term rating for the captioned LOC at **[ICRA]A2+** (pronounced ICRA A two plus). The Outlook on the long-term rating has been revised to **Negative** from Stable.

The aforesaid ratings will be due for surveillance anytime before **August 8, 2020**.

The rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated bank facility availed by your company.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the overall limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

[†] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications



ICRA reserves the right to review and/or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

You are requested to furnish a monthly '*No Default Statement (NDS)*' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed by the Securities and Exchange Board of India ("SEBI") vide circular dated June 30, 2017.

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

for ICRA Limited

Jayanta Roy
Senior Vice President
jayanta@icraindia.com



'No Default Statement on the Company Letter Head'

To,

ICRA Limited
 Building No. 8, 2nd Floor, Tower A,
 DLF Cyber City, Phase II, Gurugram -122002

Dear Sir/ Madam,

1. We hereby confirm that as on date there are no overdues or default on our listed debt obligations. (Securities).
2. We hereby confirm that as on date there are no overdues or default on our unlisted debt obligations. (Securities).
3. We also confirm that in the month ended <<Month and Year name>>, there has been no instance of delay in servicing of our listed debt obligations (Securities).
4. We also confirm that in the month ended <<Month and Year name>>, there has been no instance of delay in servicing of our un-listed debt obligations(Securities).
5. We also confirm that in the month ended <<Month and Year name>>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
6. We hereby confirm that as on date and in the month ended <<Month and Year name>> there are no over dues or default on payment of interest/installment obligations on loans from banks/financial institutions.
7. We hereby confirm that as on date there are no over dues or default on payment of interest/installment obligations on loans from banks/financial institutions which continues beyond 30 days.
8. We hereby confirm that as on date there are no over dues or default on revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days.
9. We also confirm that there is no amount remaining unpaid for more than 30 days from the invocation of the bank guarantee facilities or devolvement of Letters of Credit as on date / in the month ended <<Month and Year name>> We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <<Month and Year name>>
10. We also confirm that there has been no overdrawing of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
11. Details of default in payment of interest/installment obligations on loans including revolving facilities like cash credit from banks/financial institutions and any overdrafts beyond what is sanctioned by the bank, beyond 30 days as on date/ in the month ended <<Month and Year name>>, in any of the above case (if any):

Name of Lender	Nature of obligation	Date of Default	Current default amount	Amount to be paid	Actual Date of Payment (if any)	Remarks
Text	Term Loan, CC					
Row 2						



12. Details of default in payment of principal/interest obligations as on date/ in the month ended <<Month and Year name>>, on our listed and unlisted debt obligations (Securities), in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks
NCD					

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>



Annexure

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)

Name of the Bank	Instrument	Amount (Rs. crore)	Rating	Rating Assigned on
State Bank of India	Cash Credit	30.00	[ICRA]A-(Negative)	April 30, 2020
Total		30.00		

Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)

Name of the Bank	Instrument	Amount (Rs. crore)	Rating	Rating Assigned on
State Bank of India	Stand by Line of Credit (SLC)*	5.50	[ICRA]A2+	April 30, 2020
	Adhoc WC Limit	6.00		
	LC (WC)	8.00		
	BG (sub limit under LC)	(0.50)		
Total		19.50		

**SLC limit can be used as Fund Based as well as Non-Fund Based limit*

Details of the limits rated by ICRA (Rated on long-term/short-term scale)

Instrument Details	Amount (Rs. Cr.)	Rating Assigned	Rating Assigned on
Unallocated Limits	10.50	[ICRA]A-(Negative)/ [ICRA]A2+	April 30, 2020
Total Limits	10.50		

May 08, 2020

Indian Terrain Fashions Limited: Ratings reaffirmed; outlook revised to Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based Working Capital Facilities	30.00	30.00 ¹	[ICRA]A-(Negative) / reaffirmed; outlook revised to Negative from Stable
Short-term fund-based Working Capital Facilities	11.50	11.50	[ICRA]A2+; reaffirmed
Short-term non-fund-based Working Capital Facilities	8.00	8.00	[ICRA]A2+; reaffirmed
Unallocated limits	10.50	10.50	[ICRA]A- (Negative)/ [ICRA]A2+ / re-affirmed; outlook revised to Negative from Stable
Total	60.00	60.00	

*Instrument details are provided in Annexure-1

Rationale

The revision in the long-term rating outlook of Indian Terrain Fashions Limited (ITFL) is in line with ICRA's negative outlook for the sector, given the expected adverse impact of the Covid-19 outbreak on the retail industry. ICRA expects ITFL's operating performance to remain under pressure in the coming months because of the prevalent weak demand conditions. Revenues and earnings are expected to decline by around 20% in FY2021. ITFL had shut down all its retail stores and manufacturing facilities after the Government of India (GoI) imposed the nationwide lockdown following the outbreak of Covid-19. While the stores are anticipated to reopen gradually in the coming days across most of the locations, demand recovery is likely to take a long time, given that discretionary consumer spending is expected to remain at a relatively lower level than the preceding fiscal. The earnings and liquidity position of retailers are likely to remain under pressure during the major part of H1 FY2021 as receivables cycle elongates further and companies resort to reducing inventory levels at higher discounts. ICRA, however, considers the invocation of the force majeure clause by most retailers, including ITFL, and the company's ongoing negotiations to convert existing rental arrangements to variable (as a percentage of revenues), which should help reduce their rental costs in the coming months. ICRA would continue to monitor the developments in this regard and will conclude the rating action once greater clarity emerges.

ITFL's operating performance has been constrained in the recent past by the tepid domestic consumption levels and temporary business disruption due to transition towards distribution model in the multi-brand outlets (MBO) channel. While revenues are estimated to have declined by 5% in FY2020, operating margins are likely to have moderated to around 9.5% owing to an increase in marketing spends and discounts extended. Selling expenses have remained high because of modest demand conditions, continuing expansion across markets and increasing competition in the branded apparel business from several established brands. ITFL's working capital intensity remains high, characterised by high receivables position, with its debtor days increasing to around 240 in the recent quarters on the back of an extended credit enjoyed by its channel partners. However, the same is likely to improve over the medium term, supported by

¹ The long-term fund-based working capital facility has been carved out from the reduction in limits of other facilities rated

better collection from the MBO channel with the recent shift to the distribution model from the direct sales model. Despite the high working capital funding requirements, the ratings are supported by ITFL's adequate credit metrics and liquidity position. ITFL has availed moratorium on scheduled payment obligations from its lenders for the period March-May 2020 as a part of the Covid-19 regulatory package announced by the Reserve Bank of India (RBI). Key ratios including adjusted debt² to operating profits and debt service coverage ratio (DSCR) are estimated to be at around 1.5 times and 2.5 times, respectively in FY2020. ICRA expects ITFL's performance to improve over the medium term, supported by its established presence in the domestic men's branded apparel segment and continued efforts taken to improve business diversity and reduce receivables position.

Key rating drivers and their description

Credit strengths

Established market presence in the domestic men's wear segment – ITFL's flagship brand, Indian Terrain, enjoys strong recall in the men's casual wear segment, especially in South India, with a long presence of over two decades. The company has a strong multi-channel distribution network of more than 170 exclusive brand outlets (EBO), 380 large format stores (LFS) and 1,400 MBOs encompassing over 2,000 points of sale in about 250 cities. While the EBOs allow the company additional flexibility in promotion and brand building, enabling direct engagement with customers, the MBO channel helps the company expand its geographical presence with minimal investments. ITFL also generates around 10% of sales through the e-commerce portals. Despite high dependence on the menswear segment, an established presence and favourable growth prospects for the branded apparel industry are likely to aid in volume growth over the medium term.

Comfortable debt protection metrics – Despite an increase in working capital intensity and some moderation in earnings, ITFL's financial profile is characterised by a conservative capital structure with adequate credit metrics. Key ratios including total outside liabilities to tangible net worth, adjusted debt to operating profits and DSCR are estimated to be at around 0.7 times, 1.5 times and 2.5 times, respectively in FY2020.

Credit challenges

Moderation in operating performance in recent quarters; likely to remain under pressure in H1 FY2021 – ITFL's operating performance has been under pressure in the recent quarters because of modest domestic consumption and high marketing expenses amid intense competition. In line with the industry, ITFL's revenues and earnings are expected to be adversely impacted in the coming quarters, owing to the prevalent tepid demand conditions following the Covid-19 outbreak. This is likely to result in moderation in coverage metrics and liquidity position during the major portion of H1 FY2021.

High working capital intensity – Apparel retail business inherently entails high working capital requirements towards stocking garments across a wide product range and high credit enjoyed by distribution channel partners. Its receivables position is stretched because of an extended credit enjoyed by the MBO, large format stores (LFS) and e-commerce channel partners. ITFL's receivable cycle has increased steadily to more than 240 days over the last 12 months. Nevertheless, ITFL's adequate liquidity position provides some comfort.

² Total debt adjusted for cash and liquid investments held and for vendor bills discounted
www.icra.in

Liquidity position: Adequate

ITFL's liquidity position remains adequate, supported by relatively stable earnings from operations in the recent quarters (albeit at lower levels than FY2019) and cash reserves held, despite the incremental working capital funding requirements witnessed. The company had cash equivalents (free cash reserves and liquid investments) of around Rs. 20 crore as on March 31, 2020 (down from ~Rs. 35 crore as on March 31, 2019). High working capital intensity and reduction in earnings constrained the company's free cash flows in FY2020. Despite the expected pressure on operating cash flows in the near term, low repayment obligations and adequate cash reserves held are likely to support the liquidity position of the company.

Rating sensitivities

Positive triggers – Given the Negative outlook, an upgrade in the ratings is unlikely in the near term. However, the outlook may be revised to Stable if there is a strong recovery in volumes and earnings in the coming quarters and if the working capital intensity reduces, which would consequently result in an improvement in ITFL's credit metrics and liquidity position.

Negative triggers – Pressure on ITFL's ratings may emerge if there is a sustained pressure on revenues and earnings in the coming quarters following the Covid-19 outbreak, or if there is an elongation in its working capital cycle, which would adversely impact its credit metrics and liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for Entities in the Indian Textiles Industry – Apparels
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

ITFL, incorporated in 2009, is involved in retailing of readymade garments for men and boys. The apparel retail operations were commenced in 2000 under Celebrity Fashions Limited (CFL), which was demerged into a separate company with effect from April 1, 2010. ITFL primarily caters to the mid-premium and premium segments, marketing a wide range of products including shirts, trousers, T-shirts, jackets, denims and sweaters under the flagship, Indian Terrain brand. ITFL went public in 2011 and is listed on the Bombay Stock Exchange and the National Stock Exchange. The company was started by Mr. Venkatesh Rajagopal, who has over three decades of experience in manufacturing and retailing of apparels. The promoters held a 30.1% stake in ITFL as of December 31, 2019, of which 67% has been pledged as collateral towards the bank facilities enjoyed by the company. The operations are currently managed by Mr. Charath Narsimhan, the Managing Director of ITFL.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	401.5	422.4
PAT (Rs. crore)	25.4	25.7
OPBDIT/OI (%)	11.9%	12.0%
RoCE (%)	19.9%	19.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	0.8
Total Debt/OPBDITA (times)	0.8	0.7
Interest Coverage (times)	6.8	6.0
DSCR	6.0	4.4

Source: ITFL and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Type	Rating (FY2021)		Current Rating 08-May, 2020	Rating History for the Past 3 Years			
			Amount Rated	Amount Outstanding		FY2020 Feb 11, 2020	Aug 20, 2020	FY2019	FY2018
1	Fund based- Cash Credit	Long Term	30.00	-	[ICRA]A- (Negative)	[ICRA]A- (Stable)	-	-	-
2	Fund-based – Working Capital limits	Short term	11.50	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	-
3	Non-Fund- based – Working capital limits	Short term	8.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	-
4	Unallocated / Proposed limits	Long term/ Short Term	10.50	-	[ICRA]A- (Negative)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	-	-

Amount in Rs. crore; Source: ITFL

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	30.00	[ICRA]A-(Negative)
NA	Standby line of credit	-	-	-	5.50	[ICRA]A2+
NA	Ad-hoc WC limit	-	-	-	6.00	[ICRA]A2+
NA	LC (WC)	-	-	-	8.00	[ICRA]A2+
NA	Unallocated	-	-	-	10.50	[ICRA]A-(Negative) / [ICRA]A2+

Source: ITFL

Annexure-2: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Jayanta Roy

+91 33 7150 1120
jayanta@icraindia.com

Balaji M

+91 44 4596 4317
balajim@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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