



Press Release

DLF Brands Private Limited

Dec 03, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	20.00	IVR BBB (CE)/Stable Outlook {IVR Triple B (Credit Enhancement) with Stable Outlook}	Assigned
	Total	20.00		

* CE rating based on rated facilities primarily secured against unconditional and irrevocable corporate guarantee of DLF Limited.

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of DLF Brands Private Limited (DBPL) derives comfort from the strength of unconditional and irrevocable corporate guarantee of DLF Limited. This results in credit enhancement in the rating of the bank facilities to **IVR BBB (CE)/Stable Outlook (IVR Triple B with Stable Outlook) [Credit Enhancement]** and the unsupported rating of **IVR B/Credit Watch with Developing Implications (IVR Single B with Credit Watch with Developing Implications)**. The rating further takes into account experienced promoters, established brand presence through DLF group and successful track record. The rating also positively considers the corporate guarantee from DLF Limited received by DLF Brands Private Limited.

These rating strengths are partially offset by decline in operating income in FY20, leveraged capital structure and susceptibility to economic downturns and intense competition.

Key Rating Sensitivities:

Upward Factor:

- Significant increase in total income with significant improvement in margins and cash accruals on a sustained basis
- Improvement in capital structure , debt protection metrics and liquidity

Downward factor:



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- Moderation in scale of operations impacting the financial risk profile, particularly liquidity
- Deterioration in overall gearing.
- Deterioration in the credit profile of the corporate guarantor

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

The promoter of DBPL, Mr. Lovekush Sharma, Mr Sunil Pandey, Ms Pia Singh and Mr Dhiraj Sarna has around more than 10 years of experience in the field. He looks after the overall business operations of the company along with the family members and is supported by qualified professional & technical team. The company is benefited by experienced management, who has helped the company to maintain healthy and long-standing relationship with the customers.

Established brand presence through DLF group and successful track record

DBPL is a part of strong and well known brand “DLF” group. The group has strong credentials with a long history of successfully completing infra projects and it’s experienced Board of Directors at the helm with a well-diversified portfolio that curtails the risk for the group. DBPL is benefitted by the extensive experience promoters, supported by qualified professional and technical team.

Corporate Guarantee from DLF Limited:

DBPL has availed bank facility of cash credit by Yes Bank is backed by unconditional and irrevocable corporate Guarantee from DLF Limited indicates support to the company.

Key Rating Weaknesses

Decline in operating income in FY20:

DLF Brands Private Limited along with it’s subsidiary has earned total operating income of Rs 199.91 crore in FY20 with operating loss of Rs 9.00 crore against Rs.215.35 crore of operating



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income and Rs 52.53 crore of operating loss in FY19. As per consolidated financial statement for FY19, profit on sale of investment stood at Rs 210.99 crore (net consideration of Rs 201.01 crore from sale of share of major subsidiary Rhea Retail Private Limited to Reliance group) resulting in positive net profit margins. The scale of operations in near term is expected to decline, yet controlled the expenses thus showcasing an intent to become profitable while discarding inefficient revenue-generating assets.

Leveraged Capital Structure

The company has leverage capital structure and below average debt service coverage ratio. The total debt comprises of Rs 37.16 crore of term loan with repayment of Rs 0.12 crores, Rs 0.50 crore of unsecured loan from director and utilised working capital limit of Rs 43.95 crore as on 31st March 2020. DBPL utilise both working capital limits and long-term bank loans for its operations.

Susceptibility to economic downturns and intense competition:

DLF Brands Limited (DBL) majorly known brands are Sunglass hut, Pure Home + Living, Claire and Kiko Milano. Home furnishing market in India is driven by growth in the real estate and hospitality sectors, and rise in disposable income and willingness to spend on contemporary design and high-quality furnishings determine sales growth. Cosmetics and Eyewear segment are dependent upon the consumer's disposable income, hence any economic slowdown will have a significant adverse impact on revenue growth and profitability. The domestic market also has a large number of organized and unorganized players.

Analytical Approach: Consolidated Approach of DLF Brands Private Limited with 100% wholly owned subsidiaries - Eros Retail Pvt Ltd, Rhea Retail Pvt Ltd, Rod Retail Pvt Ltd, Cian Retail Pvt Ltd, Enki Retail Solutions Private Limited, DBL Kidskart Online Private Limited, Zigma Processing and Associate - Kiko Cosmetics Retail Private Limited.

Applicable Criteria:

Rating Methodology for Service/ Trading Companies
Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity - Stretched

The liquidity position of the company is stretched with its low cash accruals coupled and repayment obligations. The liquidity ratios of DBL remained stressed with the current ratio at 0.60x as on March 31, 20120. Further, the liquidity position is expected to improve going forward. DBPL utilisation of bank limits was satisfactory at around ~71% over the last 12 months ended on March 2020, indicating a satisfactory liquidity buffer. Infomerics also factors the bank limits up to INR 20.00 crore is backed by corporate guarantee of DLF Limited in case of any difficulty faced by DBPL.

About the Entity

DLF Brands Private Ltd, a premier player in the Indian retail sector came into existence in 2006. One of the main objectives of the company is to trade and compete in India through retail formats by way of setting up, establishing, developing, managing, organizing or otherwise, mega stores/discount stores, hyper markets, super markets, shopping malls, specialty stores. The organisation currently operates prominent names like Disney & Me, PURE Home + Living, Lens Crafters' under its brand umbrella.

The name of DBPL was changed to DLF Retail Brands Private Limited in 2007, further changed its name to DLF Brands Limited and changed of the company from private limited to public limited in 2009. The company consequently changed from public limited to private limited company on October 4, 2018.

Financials (Consolidated):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	215.35	199.91
EBITDA	(52.53)	-9.00
PAT	117.32	(20.59)
Total Debt	87.17	81.73
Tangible Net Worth	15.7	(6.7)
Adjusted Tangible Net Worth^	12.8	(7.1)
EBITDA Margin (%)	(24.39)	(4.50)
PAT Margin (%)	27.24	(9.55)
Overall Gearing Ratio (x)	6.81	(11.46)



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^ Investment in subsidiary/group companies have been considered while calculating adjusted net worth.

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	20.00	IVR BBB (CE)/Stable			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –Cash Credit	-	-	-	20.00	IVR BBB (CE) /Stable

Annexure-II: Facility Wise Lender Details

<https://www.infomerics.com/admin/prfiles/len-dlf.pdf>