



Rating Rationale

AAA Bath Fashions

12 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.50 Crores of AAA Bath Fashions.

Particulars

Facilities (Fund Based)	Amount (₹ Crs)	Tenure	Rating*
Term Loan**	1.75	Long Term	BWR B (Pronounced as BWR Single B) Outlook: <u>Stable</u>
PC/FDBP/PC(Ad-hoc)**	3.75	Short Term	BWR A4 (Pronounced as BWR Single A four)
Total	5.50	INR Five Crores and Fifty Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**O/s out of the sanction of INR 2.00 crores and Interchangeability of INR 0.50 crores b/w PC and Bills

Rationale/Description of Key Rating Drivers/Rating sensitivities

Brickwork Ratings has primarily relied upon the audited financial results upto FY 2018, projections upto FY 2021, publicly available information and information/clarifications provided by the concern's management.

The ratings draw strength from experience of the management, reputed client base and good profitability margins. The ratings are however, constrained by low scale of operations, high gearing and constitution of the entity as a proprietorship concern.

Going forward, the ability of the concern to scale up the operations, sustain the level of profitability margins, bringing the gearing level from high to moderate and managing the working capital effeciently will be the key rating sensitivities.



Credit Strengths

- **Experience of the management:** The management of the concern, Mr. Udit Agarwal and Mr. Rupesh Agrawal have individual experience of almost a decade in the business of manufacturing and exporting bathroom accessories.
- **Reputed client base:** The concern has reputed client base especially in United States of America. Some of the prominent customers in United States are Ross Procurement Inc, Home Goods, Marshall, etc. It also exports to other countries of Europe.
- **Good profitability margins:** The profitability margins of the concern is good which is marked by operating profit margin and net profit margin of 17.94% and 3.07% respectively in FY 2018 as compared to 16.99% and 5.23% respectively in FY 2017.

Credit Weaknesses

- **Low scale of operations:** The concern reported total operating revenue of INR 6.71 crores in FY 2018 as compared to INR 6.30 crores in FY 2017 which is on the lower side.
- **High gearing:** The concern is highly leveraged which is marked by Total Debt/TNW and TOL/TNW of 4.22x and 4.97x respectively in FY 2018. The gearing and overall gearing of the concern is high due to the low tangible net worth of INR 2.24 crores and high reliance on bank borrowings which stood at INR 7.26 crores in FY 2018.
- **Constitution of the entity as a proprietorship concern:** The concern is exposed to the inherent risk of the constitution of the entity as a proprietorship which has an adverse impact on the credibility of the business as there might be withdrawal of capital at the time of personal exigency.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **AAA Bath Fashions** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Concern

Established in 2009, AAA Bath Fashions is a Moradabad-based proprietorship concern engaged in manufacturing and exporting of bath accessories. The concern is owned in the name of Ms. Gauri Agarwal and the key management personnel of the concern are Mr. Udit Agarwal and Mr. Rupesh Agarwal. The manufacturing unit and the registered office of the concern is based out of Moradabad. The concern exports the bath accessories to mainly Unites States of America and the product range which the firm produces and exports are tap, towel rail, wash basin, shower, etc.

Liquidity Position

The concern's liquidity is supported by cash and cash equivalents of INR 0.03 crores in FY 2018. The total amount of fund based working capital facility of INR 3.75 crores has been 87% utilized. The current ratio and quick ratio of the firm is 1.34x and 0.84x respectively in FY 2018 are considered moderate.

Concern's Financial Performance

Key Parameters	Units	FY 2018	FY 2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	6.71	6.30
EBITDA	₹ Cr	1.20	1.07
PAT	₹ Cr	0.21	0.33
Tangible Net worth	₹ Cr	2.24	2.14
TOL/TNW	Times	4.97	2.86
Current Ratio	Times	1.34	1.79

Rating History for the last three years

S.No	Facilities	Current Rating (Mar 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Term Loan*	Long Term	1.75	BWR B (Pronounced as BWR Single B) Outlook: <u>Stable</u>	NA	NA	NA
2.	PC/FDBP/PC(Ad-hoc)*	Short Term	3.75	BWR A4 (Pronounced as BWR Single A four)	NA	NA	NA
Total			5.50	₹ Five Crores and Fifty Lakhs Only			

*O/s out of the sanction of INR 2.00 crores and Interchangeability of INR 0.50 crores b/w PC and Bills

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information: NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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