



Rating Rationale

AAREN EXPORTS

10 July 2018

Brickwork Ratings assigns ratings for the bank loan facilities of Aaren Exports.

Particulars..

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	Assigned rating
Fund Based O.D. Limit	4.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook : Stable
Packing Credit/PCFC	15.40	Short Term	BWR A4 (Pronounced as BWR Single A Four)
Non Fund Based ILC/FLC	3.50	Short Term	
Total	Rs 22.90 Crores (INR Twenty Two Crores Ninety Lakhs Rupees Only)		

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

BWR has assigned Long Term Rating of BWR BB- and Short Term Rating of BWR A4 for bank loan facilities of Aaren Exports (‘the firm’)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the rating to Aaren Exports, engaged in manufacturing of hand tools and garden tools. BWR has essentially relied upon the Company’s audited financial results upto FY17, Provisional FY18, Projected financials of FY19 and available information and clarification provided by the firm.

The rating draws strength from the experienced promoters, moderate operating profit margins, Marginally increased in revenues, and visibility of increase in revenues with healthy work orders in hand. The ratings, however, factor in a small scale of operations, high gearing, weak debt service indicators, low liquidity profile and stretched working capital cycle. The ability of the firm to improve its scale of operations, achieve the projections, improve the profitability and manage working capital efficiently would be the key rating sensitivities.

Credit Weakness:

- High Gearing** : The firm has high gearing indicated by TOL/TNW of 3.91x and TD/TNW of 3.85x in FY17.
- Weak Debt Service Indicators** : The firm has weak debt service indicators with Interest Service Coverage Ratio (ISCR) of 1.17 times and Debt Service Coverage Ratio (DSCR) of 1.10 times in FY17.
- Low Net Profit Margins** : The firm has low net profit margins of 0.32% in FY17 though it has increased to 0.52% in FY18 (Provisional) but still at low level.
- Low liquidity Profile** : The firm has low liquidity profile with current ratio of 1.14x in FY17.

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Credit Strengths:

1. The firm has experienced promoters with business experience of more than thirty years in the same line of business and has established track record of more than decade in tools manufacturing business.
2. The firm effects 50% of its sales against letter of credit from its buyers.
3. Operating Margin at moderate level with 7.62% in FY17.
4. Total Operating Income Increased Marginally from Rs 33.89 crores in FY17 to Rs 34.13 crores in FY18 (provisional). The firm is projected to achieve Rs 53.00 crores in FY19 with fresh new orders in Hand from export buyers and domestic buyers as well.

Rating Outlook: Stable

BWR believes the Aaren Exports' 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.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the firm to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Firm

Aaren Exports incorporated on 02.07.1992, The firm is manufacturers and exporters of Hand Tools, Garden Tools and Engineering Products. The firm is also engaged in import of various items of raw material used in the manufacturing of final products. The firm is an Export house recognised by DGFT, Govt of India, Ministry of commerce and industry. The firm's manufacturing unit located at Village Sarmastpur, Jalandhar. The company derives 95% of its revenues from exports while the rest is from domestic sales.

Firm's Financial Performance

Total operating income (TOI) has improved from to Rs 30.72 Cr in FY16 to Rs. 33.89 Cr. in FY17. PAT has increased from Rs 0.10 Cr in FY16 to Rs.0.11 Cr in FY17. The firm has achieved sale of Rs 34.13 crores in FY18 (provisional).

Key Financial Ratios

	FY17	FY16
Net Sales/Revenues	Rs 33.89 Cr	Rs 30.72 Cr
EBITDA	Rs 2.58 Cr	Rs 2.04 Cr
PAT	Rs 0.11 Cr	Rs 0.10 Cr
Tangible Net Worth	Rs.6.45 Cr	Rs.2.91 Cr
TOL : TNW	3.91 times	9.09 times
Current Ratio	1.14 times	1.03 times

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based O.D. Limit	Long Term	4.00	BWR BB-	NA	NA	NA
	PC/PCFC	Short Term	15.40	BWR A4	NA	NA	NA
	Non Fund Based ILC/FLC	Short Term	3.50	BWR A4	NA	NA	NA
		Total	Rs 22.90Crores (INR Twenty Two Crores Ninety Lakhs Rupees Only)				

* FY refers to the period from 1st April to 31st March each year

Status of non-cooperation with previous CRA (if applicable) – Care B (Issuer Not Cooperating as on (05/04/18)

Any other information – NIL

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Manufacturing Sector](#)

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For print and digital media

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.