Rating Rationale

A F Export

4 Sep 2018

Brickwork Ratings assigns 'BWR A4' for the Bank Loan Facilities of Rs.5.80 Crs of A F Export ('AFE' or 'the Firm')

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating^
Fund Based EPC FBP (DP/DA- 90 days)	5.80 (5.80)	Short Term	**BWR A4** (Pronounced as BWR Single A Four)
Total	**5.80** (INR Five Crore and Eighty Lakhs Only)		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY17, provisional financial information for FY18, projected financials for FY19 and FY 20, publicly available information and information/clarifications provided by the management.

The rating draws strength from the promoter's experience in the business, foreseeable succession plan and growing scale of operations. The rating, however, is constrained by overall weak financial risk profile of the firm and high competition present in the industry.

Going forward, the ability of the firm to improve its Net worth, profitability and overall financial risk profile would be the key rating sensitivities.

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).

Key Rating drivers

Credit strengths

- **Experienced Promoters**

  Promoters of the firm have long years of experience in the line of business. Two of the partners in the firm, Mr. Amir Suhail and Mohd. Faiz are MBA graduates. Further, with the presence of younger generation at the helm of business, good succession planning in the business is in place.

- **Growing scale of operations**

  Although scale of operations of the firm is modest at present, business has shown good growth in the past. Sales of the firm have grown almost 2.5 times in the last three financial years and clocked revenues of Rs.31.83 crs during FY 18 (Prov) against sales of Rs.12.11 crs during FY 15. Gross sales stood at Rs.17.64 crs and Rs.21.40 crs during FY 16 and FY 17 respectively

Credit Weaknesses

- **Overall Weak Financial Risk Profile**

  TNW of the firm at 2.01 cr and Leverage and Current Ratio at 6.64 and 1.00 times respectively during FY18 are considered weak. The corresponding numbers for FY17 stood at Rs.1.13 crs and 6.15 times and 0.90 times respectively.

- **Intense competition**

  Although, the firm is comfortably located in city of Moradabad, which is famous for the kind of activity that the firm is involved at, industry is characterised by presence of several small and medium players catering to exports and deemed exports. Further, increase in the prices of inputs like wood and steel would constrain the profitability of the business.

Background:

M/s A F Export, a partnership firm established on 16th Sept 2013, with (i) Mohd. Arif, (ii) Firasat Hussain, (iii) Amir Suhail, (iv) Mohd. Faiz and (v) Mohd. Faizan its partners and principal place of business at Islam Nagar, Near Sultan Hospital, Karula, Moradabad, is engaged in the business of manufacturing, export and supply of brass art wares, EPNS wares, wooden art wares, iron art wares, readymade garments, leather, rubber, plastics, copper, bone, beads, glass, steel art wares and other Indian handicrafts.

Firm was initially started with Mohd. Arif, Firasat Hussain and Harvinder Pal Singh as its partners. However, the firm was reconstituted on 01st Aug 2014 and as per partnership deed of even date , Harvinder Pal Singh retired from business and Amir Suhail, Mohd. Faiz and Mohd. Faizan joined the business as partners.

Financial Performance

During FY17, AFE reported net sales of Rs. 21.40 Crs and PAT of Rs.0.13 Crs as against net sales of Rs.17.64 Crs and PAT of Rs.0.10 Crs in FY16. On a provisional basis, the Firm reported sales of around Rs.31.83 Crs and PAT of Rs.0.54 crs (Prov) during FY18.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Facility	**Current Rating (August 2018)**			**Rating History**		
	Type	**Amount (Rs. Crs)**	**Rating**	**2017**	**2016**	**2015**
Fund Based EPC FBP	Short Term	5.80 (5.80)	**BWR A4** (Pronounced as BWR Single A Four)	N/A	N/A	N/A
Total	**5.80**		**INR Five crores and Eighty Lakhs only**			

Status of Non cooperation with other CRA : N.A

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Manufacturing Companies]

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Annexure I

Details of Rated Bank Facilities

ank	acilities	ated Amount Rs Crs)
Bank of India, Moradabad	**Fund Based** EPC FBP (DP/DA - 90 days)	 5.80 (5.80)
	otal	5.80

Annexure II

Key Financial Indicators

Particulars		FY17	FY18 (Prov.)
Net Revenues	(Rs. Cr)	21.40	31.83
EBITDA	(Rs. Cr)	0.35	0.82
PAT	(Rs. Cr)	0.13	0.54
Tangible Net Worth	(Rs. Cr)	1.13	2.01
Total Debt:TNW	(Times)	1.86	3.02
Current Ratio	(Times)	0.90	1.00

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.

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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.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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