

AAREN EXPORTS

Brickwork Ratings reaffirmed long term ratings & short term ratings for the bank loan facilities of ₹ 26.15 Crores of Aaren Exports.

Particulars :

Facility/ Instrument**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (Oct, 2019)	Present Rating
<u>Fund Based</u> S.O.D Limit O.C.C Limit	4.00	4.00 4.35	Long Term	BWR BB- Stable Reaffirmed	BWR BB- Stable Reaffirmed
<u>Fund Based</u> Packing Credit Limit	17.80	17.80	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirmed
<u>Non Fund Based</u> ILC/FLC	4.00	Short Term	BWR A4 Reaffirmed
Total	25.80	26.15	INR Twenty Six Crores Fifteen Lakhs Only		

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

** Details of Bank facilities/is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating and short term rating of BWR BB- Stable and short term rating of BWR A4 for bank facilities of Aaren Exports.

The ratings take into account the extensive experience of the promoter and moderate financial risk profile. However the rating is constrained by decline in revenues along with low net profitability margins, risk related to partnership constitution and intense competition.

BWR believes that the business risk profile of Aaren Exports 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 if there is a significant improvement in firm revenues and profitability margins. The rating outlook may be revised to 'Negative' if there is any further deterioration in the financial risk profile of the firm.

KEY RATING DRIVERS

Credit Strengths:

1. **Experienced Promoters:** The promoters of the firm have rich experience of more than 30 years in the manufacturing of hand tool business. The firm has a long track record of business for more than 25 years that helps them to maintain a better relationship with other customers and suppliers as well. The firm 95% revenues derives from export sales and 5% derived from domestic sales.
2. **Moderate Financial Risk Profile :** The firm has moderate financial risk profile with net worth of Rs 10.42 crores in FY20 (Audited) & TNW Analysed of Rs 15.02 crores along with moderate current ratio of 1.43 Times in FY20 (Audited). The firm has moderate gearing level with TD/TNW of 3.17 Times & TD/TNW (Analysed) of 1.89 Times in FY20 (Audited).

Credit Risks:

1. **Decline in Revenues along with low net profitability margins :** The firm revenues has declined from Rs 41.23 crores in FY19 (Audited) to Rs 31.23 Crores in FY20 (Audited) due to decline in export sales, and firm has low net profitability margins of 0.17% in FY20 (Audited).
2. **Risk Related to Partnership Constitution :** Being a partnership firm it is exposed to inherent risk of withdrawal of capital by the partner which may impact the overall capital structure and debt metrics of the firm.
3. **Intense competition :** The firm faces intense competition from other big players in the hand tools manufacturing segment. Moreover the prices of raw material keep on fluctuating in global markets resulting in low profit margins.



Analytical Approach and Applicable Rating Criteria

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

RATING SENSITIVITIES

Going forward, improvement in revenues, and profitability margins will be the key rating sensitivities.

Positive : The rating will be upgraded if the firm is able to make significant improvement in their revenues, and profitability margins.

Negative : The rating will be downgraded if there is any deterioration in the financial risk profile of the firm.

LIQUIDITY POSITION : Stretched

The firm has associate concerns with the name of Prabh Dayal Om Parkash, Deepak Industries and Horizon Polymers. Horizon Polymers has done purchases of Rs 15.00 crores in FY20 (Audited).

The firm has cash & bank balances of Rs 0.96 crores in FY20 (Audited). The firm has an average utilisation of 62% of their cash credit Limit, O.D limit & Packing Credit Limit from the last six months. The firm has a long term debt of Rs 10.02 crores as at FY20 (Audited) which comprises unsecured loans of Rs 9.20 crores & term loan of Rs 0.82 crores which is closed in the month of May 2020. The firm has Interest Service Coverage Ratio of 0.82 Times and Debt Service Coverage Ratio of 1.04 Times in FY20 (Audited). The current ratio has been 1.43 Times as at FY20 (Audited). The firm has a conversion cycle of 334 days in FY20 (Audited).

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. The firm has its four unit located at Jalandhar Unit-I , Unit- II, Unit- III & Unit-IV.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY20 (Audited)
Result Type			
Operating Revenue	₹ Cr	41.23	31.23
EBITDA	₹ Cr	2.52	1.96
PAT	₹ Cr	0.17	0.05
Tangible Net worth	₹ Cr	10.78	10.42
TD:TNW	Times	2.91	3.17
Current Ratio	Times	1.26	1.43

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : CARE B- Stable /A4 under Issuer Not Cooperating on 25.09.2020.

Rating History for the last three years (Including Withdrawal and Suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Current Rating	2020	2019	2018
1.	Fund Based S.O.D Limit OCC Limit	Long Term	4.00 4.35	BWR BB- Stable Reaffirmed	BWR BB- Stable Reaffirmed	BWR BB- Stable Assigned
2.	Fund Based Packing Credit	Short Term	17.80	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Assigned
	Total		26.15	Twenty Six Crores Fifteen Lakhs ₹ Only			



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

Manufacturing Companies

Analytical Contacts	
Aman Sharma Primary Analyst Board: 91 172- 5032295/6 aman.s@brickworkratings.com	VK Kukreja Associate Director – Ratings Board: 91 11 -23412232 Kukreja.vk @brickworkratings.com
1-860-425-2742	I media@brickworkratings.com

AAREN EXPORTS-ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	<u>Fund Based</u>	4.00	8.35
	S.O.D Limit	4.35	
	O.C.C Limit		
	<u>Fund Based</u>	<u>Short Term</u>	17.80
	Packing Credit Limit	17.80	
TOTAL : TWENTY SIX CRORES FIFTEEN LAKHS ONLY			26.15



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters 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 : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.



BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.