

Aaren Exports

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of ₹ 25.80. Crores of Aaren Exports.

Particulars

| Facility/ Instrument** | Previous Amount (₹ Cr) | Present Amount (₹ Cr) | Tenure | Previous Rating (July 2018) | Rating* |
|------------------------------------|------------------------------|-----------------------------|---|--|---|
| <u>Fund based</u> S.O.D Limit | 4.00 | 4.00 | Long Term | BWR BB- (BWR Double B Minus) Stable | BWR BB- (BWR Double B Minus) Stable Ratings:Reaffirmed |
| <u>Fund Based</u> PC/PCFC | 15.40 | 17.80 | Short Term | BWR A4 (BWR Single A Four) | BWR A4 (BWR Single A Four) Ratings: Reaffirmed |
| <u>Non Fund Based</u> I.L.G | 3.50 | 4.00 | Short Term | BWR A4 (BWR Single A Four) | BWR A4 (BWR Single A Four) Ratings: Reaffirmed |
| Total | 22.90 | 25.80 | INR Twenty Five Crores Eighty 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 essentially relied upon the Company's audited financial results upto FY18, and Projected Financials upto FY20 and available information and clarification provided by the Company. The rating of Aaren Exports has reaffirmed BWR BB- (BWR Double B Minus) & BWR A4 (BWR Single A Four) on account of stagnant scale of operations as the company revenues has improved but remained stagnant from last three FYs. The ratings however have been assigned with Outlook Stable as the growth in engineering product business remains stable in the long term and the company has also achieved adequate orders in FY20 to improve their scale of operation .



KEY RATING DRIVERS

Credit Strengths:

1. **Extensive Experience of the Promoters :** The promoters of the Company have rich experience of more than 30 years in the manufacturing of hand tools business. The company has a long track record of business for more than 25 Years that helps them to maintain a better relationship with their customers and suppliers as well . The firm 95% revenues derives from export sales and 5% derived from domestic sales.
2. **Improvement in Revenues Y-O-Y :** The firm revenues has improved from Rs 30.72 crores in FY16 to Rs 33.89 crores in FY17 and further improves to Rs 45.09 crores in FY18.

Credit Risks:

1. **High Gearing Level :** The firm has high gearing level with TOL/TNW of 4.90 Times in FY18, It has increased as compared to previous year of 3.91 Times due to increase in their long term borrowings.
2. **Low Current Ratio :** The firm has low current ratio of 1.14 Times in FY18.and It has remained constant as compared to previous year of 1.14 Times in FY17.
3. **The Profit of the firm has resulted out of non operating income :** Profits of the firm resulted due to non operating income such as exchange rate difference.
4. **Elongated Working Capital Cycle ;** The firm has elongated working capital cycle of 173 days due to high days receivables of 146 days in FY18.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone approach for Aaren Exports. 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, Aaren Exports, has to improve its stagnant scale of operations, and Elongated Conversion cycle will be the Key rating sensitivities.

Positive : The Rating will be upgraded if the company is able to improve its stagnant scale of revenues and Maintain its Profitability Margins.

Negative : The Rating will be downgraded if the company is not able to manage its Inventory level efficiently and improve its current ratio.

LIQUIDITY POSITION : Stretched

The Firm has Associate concerns with the name of Prabh Dyal Om Parkash, Horizon Polymers, and Deepak Industries, but there is no operational linkages between them. The company has liquid investments include FDR of Rs 0.79 crores, and Cash & Bank Balances of Rs 0.52 crores in FY18 (Audited). Current ratio was at 1.14 times in FY18 (Audited). Average working capital utilization for the six months period (April 2019 to September 2019) is 75% for limits. The conversion cycle has been 173 days in FY18 (Audited). The Company has long term debt of Rs 8.73 crores with current portion of long term debt of Rs 0.09 crores in FY18. The Company ISCR at 1.23 times and Debt Service Coverage Ratio of 1.36 Times as on March 31, 2018 (Audited).

COMPANY PROFILE

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 the 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.

Key Financial Indicators

| Key Parameters | Units | FY18 (A) | FY17 (A) |
|--------------------|-------|----------|----------|
| Result Type | | | |
| Operating Revenue | ₹ Cr | 45.09 | 33.89 |
| EBITDA | ₹ Cr | 3.59 | 2.58 |
| PAT | ₹ Cr | 0.24 | 0.11 |
| Tangible Net worth | ₹ Cr | 7.05 | 6.45 |
| TOL:TNW | Times | 4.90 | 3.91 |
| Current Ratio | Times | 1.14 | 1.14 |



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA

RATING HISTORY

| Instrument / Facilities | Current Rating | | | Rating History | | |
|----------------------------------|--------------------------------------|------------------|--|--|------|------|
| | Tenure (Long Term/ Short Term) | Amount (₹ Cr) | Rating (2019) | 2018 | 2017 | 2016 |
| Fund Based S.O.D Limit | Long Term | 4.00 | BWR BB- (BWR Double B Minus) Stable Reaffirmed | BWR BB- (BWR Double B Minus) Stable | NA | NA |
| Fund Based PC/FC | Short Term | 17.80 | BWR A4 (BWR Single A Four) Reaffirmed | BWR A4 (BWR Single A Four) | NA | NA |
| Non Fund Based ILC/FLC | Short Term | 4.00 | BWR A4 (BWR Single A Four) Reaffirmed | BWR A4 (BWR Single A Four). | NA | NA |
| Total | | 25.80 | INR Twenty Five Crores Eighty 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](#)

[Short Term Debt](#)

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Aaren Exports.

ANNEXURE I

Details of Bank Facilities rated by BWR

| Sl. No. | Name of the Bank | Type of Facilities | Long Term/Short Term (₹ Cr) | Total (₹ Cr) |
|---|------------------|--------------------------|-----------------------------|--------------|
| 1 | Andhra Bank | Fund Based S.O.D Limit | 4.00 | 21.80 |
| | | PC/PCFC | 17.80 | |
| 2. | Andhra Bank | Non Fund Based I.L.G/FLC | 4.00 | 4.00 |
| TOTAL : INR Twenty Five Crores Eighty Lakhs Only | | | | 25.80 |



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