



Rating Rationale

Aarya Fash Tex Pvt Ltd

12 July 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 14.42 Crores of Aarya Fash Tex Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	14.42	Long Term	BWR B (Pronounced as BWR single B) (Outlook:Stable)
Total	14.42	INR Fourteen Crores and Forty Two 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 principally relied upon audited financial results of FY17, provisional financial statements of FY18, projected financial results till FY21, publicly available information and information/clarifications provided by the management.

The rating draws strength from the vast experience of the promoters in textile industry, locational advantage of being in textile belts of Gujarat and the company has been profitable since its inception stage without any delay in cost and time overrun. However, the ratings are constrained by low scale of operations and limited financial flexibility considering low capital base. The firm's margins are also vulnerable to the adverse movements in raw cotton prices (governed by international factors) as well as domestic agro climatic conditions.

The ability of the firm to achieve growth in operations, to improve the profitability, to improve the gearing, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

Description of Key Rating Drivers

The promoters of the company Mr Narendra Patel and Mr Dhruv Patel have long standing experience in the textile industry leading to established relations with suppliers and client. The promoters have a wide experience since 1978 from one of the associate company Diamond Textile Pvt Ltd rated BWR BBB-/A3.



The scale of operations remained low at Rs. 6.45 crore in provisional FY 2018. Since its inception the company has been profitable with comfortable operating profitability at 12.30% and net profit margins at 1.35% in FY2017. With increase in scale of operations the margins have improved with operating profitability at 22.05% and net profit margins at 5.68% in FY 2018 provisionals.

The capital structure continued to remain leveraged with a gearing of 2.62 times as on March 31, 2018. Comfortable margins have led to moderate debt protection matrix; however high trade receivables in 2018 may affect the liquidity of company.

The company faces stiff competition from other small and unorganised players in the industry, which limits its bargaining power with customers and suppliers, and hence exerts pressure on its margins.

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 **Aarya Fash Tex Pvt Ltd** 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 Company

M/s Aarya Fash Tax is a partnership firm established in the year 2010 by Ms Meera Narendrabhai Patel, Mrs Kruti R Patel and Shri Dhruv Narendrabhai Patel engaged in manufacturing of Value added fabrics by designers with modern computerized embroidery plant and machineries. Later during January 2017 the firm was converted into private limited company. The company is backed by Diamond Textile Mills Pvt. Ltd.(DTMPL) group which is engaged in Textile industry for more than 4 decades. The promoters are having rich experience in the industry and having experience to handle large size projects.

Company Financial Performance

In FY17 the company has commenced the operations in January 2017 and yet has achieved profitability in a Quarter operations. The company has booked a revenue of Rs 6.45 crs in provisional FY18. The company recorded EBITDA and PAT of Rs. 2.23 Crs and Rs. 0.57 Crs respectively in FY18 provisional.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	14.42	BWR B	N.A	N.A	N.A
	Total		14.42	₹ Fourteen Crores and Forty Two Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-N.A

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Provisional
Operating Revenue	₹ Cr	0.17	6.45
EBITDA	₹ Cr	0.10	2.23
PAT	₹ Cr	0.01	0.57
Tangible Net worth	₹ Cr	2.85	5.93
Total Debt/Tangible Net worth	Times	1.02	2.62
Current Ratio	Times	3.27	3.43

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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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.