

## RATING RATIONALE

15 June 2020

### Aman Export International

**Brickwork Ratings has reaffirmed the rating with change in outlook for the Bank Loan Facilities of ₹.31.43 Crs of Aman Export International**

#### Particulars:

Facility**	Amount (₹ Cr)	Amount (₹ Cr)	Tenure	Previous Rating (Feb 2019)	Rating* Assigned
	Previous	Present			
Fund based Term Loan	6.29	1.43	Long Term	BWR BB+ Stable	BWR BB+ Negative Reaffirmed
Fund Based Export Packing Credit	30.00	30.00	Short Term	BWR A4+	BWR A4+ Reaffirmed
<b>Total</b>	36.29	31.43	INR Thirty One Crores and Forty Three Lakhs Only		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

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

#### RATING ACTION / OUTLOOK

Brickwork rating has reaffirmed the long term rating BWR BB+ with change in outlook and short term rating BWR A4+ for bank loan facilities of Aman Export International

BWR principally relied upon audited financials upto FY19, projections of FY20 and FY21, publicly available information and information/clarifications provided by the management.

The rating draws comfort from experienced partners, increased turnover and moderate gearing and debt protection metrics. The rating however, constrained by frequent changes in taste and preferences of the consumer and stiff competition in the industry

The outlook changed to negative as the textile industry may have degrowth due to the ongoing pandemic effect.

## KEY RATING DRIVERS

### Credit Strengths

- **Experienced Partners:** The firm is a family driven entity. The managing partner, Mr Suresh Kumar Agarwal, ventured into this business in 1988. He was later joined by his two sons Mr Vikas Agarwal and Mr Vinay Agarwal. Business experience of three decades attributed to the tie ups with major international brands.
- **Increasing turnover:** During the last two years total operating income of the firm has improved at a CAGR of 25.60%. During FY19 the entity reported total operating income of Rs 93.65 Crs as against Rs 67.63 Crs for FY18 showing 38.47% year on year growth.
- **Moderate gearing and improved debt protection metrics:** During FY19, overall gearing (TOL/TNW) stood at 1.93X which is considered to be at moderate level and Debt protection metrics such as ISCR and DSCR improved to 3.12X and 2.04X as against 1.70X and 1.62X for FY18 respectively.
- **Improved conversion cycle:** During FY19 conversion cycle improved to 95 Days as against 139 Days for FY18 on account of reduced inventory level.

### Credit Weakness

- **Other Risk:** Frequent changes in taste and preferences of the consumer, regulatory risk related to the buyer's country, risk of delayed shipments which could lead to high penalties, low bargaining power due to high competition are some of the business challenges for the firm.
- **Impact of Covid-19 :** The company is engaged in manufacturing and export of readymade garments. Textile industry may have degrowth due to the ongoing pandemic effect.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).



## RATING SENSITIVITIES

Going forward, the ability of the company to improve scale of operations and profitability margins would be key rating sensitivity.

Positive: The rating outlook may be revised to positive if the company is able to achieve significant growth in revenue and profitability margins.

Negative: The rating may be downgraded if the revenue declines substantially, any deterioration in liquidity profile and is not able to maintain profitability margins.

## LIQUIDITY POSITION (Adequate)

Utilization of the working capital limit is 80%.. During FY19, the entity had cash accruals of Rs 8.05 Crs against CPLTD of Rs 1.87 Crs. As on 31.03.2019.

## COMPANY PROFILE

Aman Exports International (AEI), a partnership firm, is an apparel export house recognized by the Government of India. The company was established in 1988 by Mr. Suresh Agarwal, who was later joined by his two sons- Mr. Vikas Agarwal and Mr. Vinay Agarwal and his wife - Mrs. Chandra Kanta Agarwal. The company is engaged into the manufacturing of high-end ladies fashion garments. The firm supplies the garments to companies located in Latin America and Europe under the buyer's brand name and also to the domestic customers as well. The Unit is located at Jaipur, Rajasthan.

## KEY FINANCIAL INDICATORS

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	67.63	93.65
EBITDA	₹ Cr	7.37	12.63
PAT	₹ Cr	1.98	6.36
Tangible Net worth	₹ Cr	24.42	24.69
TOL/TNW	Times	1.70	1.93
Current Ratio	Times	1.21	1.17

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - NA**

**RATING HISTORY LAST 3 YEARS( INCLUDING WITHDRAWN/SUSPENDED)**

S. No	Name of Instrument	Current Rating (2020)			2019*			2018			2017		
		Type (Long Term/Short Term)	Amnt (Rs. Crs)	Rating	(Rs. in Crs.)								
1	Bank Loan Facility	FB LT	1.43	BWR BB+ Negative Reaffirmed	08.02.2019			20.06..2018					
		FB ST	30.00	BWR A4+	FB LT	6.29	BWR BB+ Stable Upgrade	FB LT	1.44	BWR BB Stable Reaffirmation			
					FB ST	30.00	BWR A4+ Upgrade	FB ST	25.00	BWR A4+ Reaffirmation			
								04.01.2018					
					FB LT	2.04	BWR BB Stable Reaffirmed	FB LT	2.04	BWR BB Stable Reaffirmed			
					FB ST	25.00	BWR A4+ Reaffirmed	FB ST	25.00	BWR A4+ Reaffirmed			

**\*The rating was moved to the Rating not Reviewed category on 10 Feb2020 and an Advisory was issued on 8.5.2020.**

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing](#)
- [Short Term Debt](#)

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**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
PNB	Packing Credit	-	30.00	30.00
	Term Loan	1.43	-	1.43
<b>TOTAL</b>				<b>31.43</b>

**INR Thirty One Crores and Forty Three Lakhs Only**



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