

## Rating Rationale

### Aman Exports International

4 January 2018

**Brickwork Ratings reaffirms ratings for the bank loan facilities of Aman Exports International.**

#### Particulars

Issue	Previous Amount (In Rs. Crs)	Present Amount (in Rs. Crs)	Tenure	Previous Rating Assigned	Rating Assigned
<b>Fund Based</b>					
<b>Term Loan 1</b>	1.29	0.55	Long Term	<b>BWR BB (Pronounced as BWR Double B) Outlook: Stable</b>	<b>BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed</b>
<b>Term Loan 2</b>	1.11	0.61			
<b>Term Loan 3</b>	1.20	0.88			
<b>Export Packing Credit</b>	25.00	25.00	Short Term	<b>BWR A4+ (Pronounced as A four plus)</b>	<b>BWR A4+ (Pronounced as A four plus) Reaffirmed</b>
<b>FOBP</b>	(5.00)	(5.00)			
<b>FOBNLC</b>	(25.00)	(25.00)			
<b>FOUBP (within FOBP)</b>	(3.00)	(3.00)			
<b>Total</b>	<b>27.40</b>	<b>27.04</b>	<b>INR Twenty Seven Crores and Four Lakhs Only</b>		

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

**Long term rating reaffirmed BWR BB (Outlook: Stable) and short-term rating reaffirmed at BWR A4+.**

Brickwork Ratings has relied upon audited financial statements up to FY17, publicly available information and other documents provided by the management, while reviewing the ratings for the firm.

#### Rating Drivers/Rating sensitivities:

While reviewing the ratings for Aman Exports International (AEI or 'the firm'), BWR has factored in the partners' experience in similar line of business and their ability to infuse funds into the business as per requirement, ability of the partners to improve upon the scale of operations in FY17, moderate total outside liabilities (TOL) to partners' capital ratio and adequate cash accruals in FY17. The rating is, however, constrained on account of low scale of operations of the firm in a highly fragmented sector, moderate level of capital infusion into the business, low level of net working capital deployed for the operations, exposure of the firm to fluctuations in prices of raw material, and high variations in export orders coupled with foreign exchange risk.

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Ability of the partners to scale up operations along with profitability, hedging the foreign exchange risks, and timely servicing debt payment obligations would be the key rating sensitivities.

### **Key Rating Strengths**

- 1. Partners' experience:** The firm is family driven entity. The managing partner, Mr. Suresh Kumar Agarwal, pioneered this business in 1988. He was later joined by his two sons – Mr. Vikas Agarwal and Mr. Vinay Agarwal. Business experience of three decades and the foreign based education of the younger partners attributed to the tie-ups with major international brands.
- 2. Moderate financial risk profile:** The firm has moderate overall gearing (TOL/TNW ratio) of 1.65 times in FY17. The overall gearing is supported by capital addition of Rs. 2.70 Crs and average debt-protection metrics marked by ISCR of 1.49 times and DSCR of 1.27 times in FY17 on account of high interest costs (including interest on partners' capital) and adequate net cash accruals of Rs. 2.93 Crs. However, analyzed interest service coverage ratio stands at 1.76 times in fiscal 2017.

### **Key Rating Weaknesses**

- 1. Low scale of operations:** The firm's revenues from operations were Rs. 59.28 Crs in FY17 coupled with low net profit margins of 1.91%. The reason for low scale of operations is due to moderate level of capital infused into the business marked by long term funds of Rs. 33.06 Crs (including capital and long term borrowings) infused for the operations and an average net working capital of Rs. 4.77 Crs (average of FY16 and FY17) deployed for day-to-day operations. Further, there are order and rejection risks which plays an important role in recording the sales in all financial years.
- 2. Other risks:** Exposure of the entity to the fluctuations in prices of raw material, likely disturbances in supply of raw material, forex risks and variations in demand from existing customers. Low capacity utilization which could lead to higher cost structure on account of low absorption of overhead costs is another risk factor.

### **Analytical Approach:**

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 below.

### **Rating Outlook: Stable**

BWR believes the **Aman Exports International's** 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**

Aman Exports International, a partnership firm, is an apparel export house recognized by the Government of India. The company was established in year 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 at Latin America and Europe under the buyer's brand name. The factory is located at Jaipur, Rajasthan.

#### Company Financial Performance

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Total Operating Income	Rs. in Crores	49.45	59.28
EBIDTA	Rs. in Crores	5.61	6.68
PAT	Rs. in Crores	0.89	1.13
Partner's Capital (P.Cap)	Rs. in Crores	19.21	21.91
TOL : P.Cap	Times	1.69	1.65
Current Ratio	Times	1.18	1.21

#### Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	FY 2018			Rating History		
		Type	Amount (Rs Crs)	Rating	30 Sep 2016 (FY17)	2 June 2015 (FY16)	FY15
1	Term Loans	Long Term	2.04	BWR BB Outlook:Stable <b>Reaffirmed</b>	BWR BB Outlook: Stable	BWR BB Outlook: Stable	NA
2	Export Packing Credit	Short Term	25.00	BWR A4+ <b>Reaffirmed</b>	BWR A4+	BWR A4+	NA
	FOBP		(5.00)				
	FOBNLC		(25.00)				
	FOUBP (within FOBP)		(3.00)				
	<b>TOTAL</b>		<b>27.04</b>	<b>INR Twenty Seven Crores and Four Lakhs Only</b>			

**Status of non-cooperation with previous CRA (if applicable): Reason and comments:**  
Not Applicable

**Any other information:** NA

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)



- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

**For any other criteria obtain hyperlinks from website**

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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