

Rating Rationale

Aman Exports International

08 Feb 2019

Brickwork Ratings revises the long term ratings and reaffirms the short term ratings for the Bank Loan Facilities of ₹. 36.29 Crs. of Aman Exports International.

Particulars

Facility	Previous Amount Rated (Rs Cr)	Amount (₹ Crs)	Tenure	Previous Rating (20 June 2018)	Rating*
Fund based Term Loan	1.44	6.29	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Upgrade
Fund Based Export Packing Credit	25.00	30.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total	26.44	36.29	INR Thirty Six Crores and Twenty Nine Lakh Only		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY18, publicly available information, information and clarifications provided by the management and company.

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



Going forward, The ability of the firm to scale up its operating income, maintaining gearing, working capital efficiency, liquidity profile and managing cash flows for servicing debt will be key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Partners:** The firm is 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 firm has increased at a CAGR of 16.94% and total operating income during FY18 was Rs 67.63 Crs. As per information provided, during April 2018 to December 2018 firm has achieved turnover of Rs 48.95 Cr and estimating revenue of Rs 90.00 cr for FY19 with total total orders in hand of Rs 36.00 Cr which is to be completed by March 2019.
- **Moderate gearing and debt protection metrics:** For FY18, overall gearing (TOL/TNW) stood at 1.70X which is considered to be at moderate level and Debt protection metrics such as ISCR and DSCR stood at 1.70X and 1.62X respectively.

Credit Risks:

- **High working capital requirements:** working capital requirement of the firm is high on account of elongated conversion cycle of 139 Days due to high number of days receivables and inventory.
- **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.

Liquidity :

Bank limits utilization is seasonal, during peak season utilization of limits are almost 100% and non peak season it is around 60 to 65%. Due to elongated conversion cycle working capital requirements are high. For FY18, current ratio stood at 1.21X which is also below benchmark level.



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 **Aman Exports International** 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 declining trend.

About the Company

Aman Exports International (AEI), 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 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.

Company Financial Performance

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Total Operating Revenue	₹ Cr	59.28	67.63
EBITDA	₹ Cr	6.68	7.37
PAT	₹ Cr	1.13	1.98
Tangible Net worth	₹ Cr	21.91	24.42
TOL/TNW	Times	1.65	1.70
Current Ratio	Times	1.19	1.21

Rating History for the last three years

Facility	Current Rating (January 2019)		Rating History				
	Tenure	Amount (₹ Crs)	Rating	June, 2018	January, 2018	2017	September, 2016
Fund Based Term Loan	Long Term	6.29	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Upgrade	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed	No Change	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed
Fund Based Export Packing Credit	Short Term	30.00	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed		BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total		36.29	₹ Thirty Six Crores and Twenty Nine Lakh Only				

Status of non-cooperation with previous CRA (if applicable)-NA

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



Analytical Contacts	Media
<u><i>RK Sharma</i></u> <i>Senior Director-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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.

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.

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.