

April 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA B/Stable (Assigned)
Term Loan	14.20	SMERA B/Stable (Assigned)
Packing Credit	15.00*	SMERA A4 (Assigned)

**Includes Forward Contract as a sublimit to the extent of Rs.2.25 crore*

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA single B)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the Rs.31.20 crore bank facilities of Armani Industries (India) Private Limited (AIPL). The outlook is '**Stable**'. For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of AIPL and Armani Exports (AE). The consolidation is in view of AIPL's takeover of AE. The ratings are constrained by AIPL's weak financial risk profile and working capital-intensive operations. The ratings are also constrained by the susceptibility of the company's profit margins to raw material price volatility and intense competitive pressures. However, the ratings are supported by the company's experienced management.

AIPL was established to undertake manufacturing and trading of fabric. The company commenced commercial operations in 2013. AIPL has acquired the running business of its group entity viz. Armani Exports, which was engaged in export of fabric.

AIPL's weak financial risk profile is reflected in high gearing (debt-equity ratio) of 7.08 times as on March 31, 2014. The company's total debt of Rs.33.08 crore (as on March 31, 2014) includes term loan of Rs.11.71 crore and interest-bearing unsecured loans of Rs.12.47 crore. AIPL's operations are working capital-intensive with gross current assets (GCA) of 146 days in FY2013-14. The company's profit margins are highly susceptible to fluctuations in raw material prices. AIPL has weak bargaining power against its customers on account of the intense competition in the textile industry.

AIPL benefits from its experienced management. The promoters of the company have around four decades of experience in the textile industry.

Outlook: Stable

SMERA believes AIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded capex or working capital requirements.

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About the company

AIPL, incorporated in 2011, is a Mumbai-based company promoted by members of the Goyal family. AIPL is engaged in manufacturing and trading of fabric. The company commenced commercial operations in 2013 by acquiring the running business of its group entity viz. Armani Exports. AIPL has a factory unit in Bhilwara, Rajasthan.

For FY2013-14 AIPL reported net loss of Rs.0.32 crore on total income of Rs.72.27 crore, as compared with net loss of Rs.0.45 crore on total income of Rs.59.65 crore in FY2012-13. The company reported net profit of Rs.3.97 crore (provisional) on total income of Rs.69.20 crore (provisional) during April 2014 to January 2015. AIPL's net worth stood at Rs.4.98 crore as on March 31, 2014, as compared with Rs.7.21 crore a year earlier.

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