



SMERA RATINGS LIMITED

# Armani Industries (India) Private Limited (AIIPL)

## Rating Rationale

**January 07, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Term Loan	14.20	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Packing Credit Foreign Currency (PCFC)	15.00*	SMERA A4+ (Upgraded from SMERA A4)

\* Includes Submit of Forward Contract Limit of Rs. 2.25 crore

SMERA has upgraded the long-term bank facilities of Armani Industries (India) Private Limited (AIIPL) to '**SMERA BB-/Stable**' (read as **SMERA double B minus**) from 'SMERA B/Stable' (read as SMERA B) and short term bank facility to '**SMERA A4+**' (read as **SMERA A four plus**) from 'SMERA A4' (read as SMERA A four). The outlook is '**Stable**'.

The ratings upgrade reflects improvement in the company's business and financial risk profile. The ratings upgrade also reflects improvement in the company's cash accruals vis-à-vis debt obligations. The ratings also factor the company's experienced management. However, the ratings are constrained by the company's working capital intensive operations, susceptibility of the company's profit margins to raw material price volatility and intense competition in the textile industry.

### Update

AIIPL reported profit after tax (PAT) of Rs.2.40 crore on operating income of Rs.83.12 crore in FY2014-15 (refers to financial year, April 01 to March 31) as compared with net loss of Rs.0.32 crore on operating income of Rs.72.31 crore in the previous year. The company reported operating profit margin of 12.30 per cent in FY2014-15, as compared with 8.12 per cent in the previous year.

AIIPL's net cash accruals (NCA) improved to Rs.5.50 crore in FY2015, as compared with Rs.3.12 crore a year earlier. AIIPL's gearing stood at 1.62 times as on March 31, 2015 as compared to 1.31 times in the previous year. The interest coverage of the company stood comfortable at 2.12 times in FY2014-15 as compared to 1.82 times in the previous year. SMERA expect the company's financial risk profile to remain moderate with absence of debt-funded capex in the medium term.

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**Outlook: Stable**

SMERA believes that the outlook of AIIPL will remain stable over the medium term and the company will continue to benefit from the promoters' experience and established relationships with customers and suppliers. The outlook may be revised to 'Positive' if there is a significant improvement in the company's revenues and profitability leading to improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company's revenue or profitability declines amidst intensifying competition in the textile industry or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements.

**About the Company**

AIIPL, incorporated in 2012 by the Goyal family is engaged in the manufacture of fabric (shirting and suiting) at Bhilwara, Rajasthan. In FY2015, the company took over the existing business of Armani Exports, a partnership firm. The day-to-day operations are managed by Mr. Ravi Goyal, Mr. Ramavtar Goyal and Mr. Manish Goyal.

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