

Press Release

Armani Industries (India) Private Limited (AIPL)

February 15, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.31.20 Cr
Long Term Rating	SMERA BB-/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of **SMERA A4+** (read as **SMERA A four plus**) on the Rs.31.20 cr bank facilities of Armani Industries India Private Limited (AIPL). The outlook is '**Stable**'.

AIPL, incorporated in 2012 by Mr. Goyal and family manufactures fabric (shirting & suiting) at Bhilwara, Rajasthan.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoters, Mr. Raviraj Goyal, Mr. Ramavtar Goyal, Mr. Manish Kumar Goyal and others possess extensive experience in the textile industry.

Moderate financial risk profile: The company has moderate financial risk profile marked by net worth of Rs.15.89 cr in FY2015-16 as against Rs.15.35 cr in FY2014-15. The gearing (Debt to Equity) stood at 1.10 times as on 31 March, 2016 as against 1.62 times as on 31 March, 2015. The interest coverage ratio stood at 2.10 times for FY2015-16 as against 2.12 times in the previous year.

Efficient working capital management: The working capital cycle days stood at 57 for FY2015-16 as against 92 days in FY2014-15 due to decrease in inventory holding period to 28 days in FY2015-16 from 55 days in FY2014-15. The debtor days stood at 55 and creditor days at 26 for FY2015-16.

Weaknesses

Decline in margins: The EBITDA margins declined to 9.26 per cent in FY2015-16 from 12.33 per cent in FY2014-15 on account of fluctuations in forex rates. The PAT margins also fell from 2.90 per cent in FY2014-15 to 1.58 per cent in FY2015-16.

Competition from small and established players in the industry: AIPL operates in a highly fragmented industry with intense competition from the unorganised sector limiting the bargaining power with customers.

Risks related to economic conditions of countries exported to: The company manufactures and exports garments to Egypt, Dubai, Panama, and Columbia exposing itself to risks related to economic and political changes in these countries. Any slowdown in these countries may adversely impact order flow.

Foreign exchange fluctuation risk: With 100 per cent revenue coming from exports, the company is exposed to foreign exchange fluctuation risk. AIIPL enters into forward contract to mitigate the risk.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that AIIPL will continue to maintain a stable outlook owing to its established market position and extensive experience of promoters. The outlook may be revised to 'Positive' in case of higher than expected revenues and improvement in profit margins. Conversely, the outlook may be revised to 'Negative', in case of decline in revenues and profitability margins.

About the Rated Entity

AIIPL manufactures fabric (shirting & suiting) at Bhilwara, Rajasthan and has capacity of around 15 lakh meters (monthly basis). The day-to-day operations are managed by Mr. Ravi Goyal, Mr. Ramavtar Goyal and Mr. Manish Goyal. In FY2015, the company took over the existing business of Armani Exports, a partnership firm.

In FY2015-16, AIIPL reported profit after tax (PAT) of Rs.1.43 crore on operating income of Rs.90.47 crore as against PAT of Rs.2.40 crore on operating income of Rs.83.07 crore in the previous year. The net worth stood at Rs.15.89 crore as on 31 March, 2016 against Rs.15.35 crore a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016				FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.00	SMERA BB-/Stable (Reaffirmed)	7 Jan, 2016	SMERA BB-/Stable (Upgraded)	6 Apr,2015	SMERA B/Stable (Assigned)	-	-	-	-
Term Loan	LT	14.20	SMERA BB-/Stable (Reaffirmed)	7 Jan, 2016	SMERA BB-/Stable (Upgraded)	6 Apr,2015	SMERA B/Stable (Assigned)	-	-	-	-
Packing Credit Foreign Currency (PCFC)	ST	15.00*	SMERA A4+ (Reaffirmed)	7 Jan, 2016	SMERA A4+ (Upgraded)	6 Apr,2015	SMERA A4 (Assigned)	-	-	-	-

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

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	2.00	SMERA BB-/Stable (Reaffirmed)
Term Loan	NA	NA	2020	14.20	SMERA BB-/Stable (Reaffirmed)
Packing Credit Foreign Currency (PCFC)	NA	NA	NA	15.00*	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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