

Press Release

Armani Industries (India) Private Limited

13 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.31.20 Crore
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* 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 crore bank facilities of Armani Industries (India) Private Limited (AIPL). The outlook is '**Stable**'.

Armani Industries (India) Private Limited (AIPL) was incorporated in 2012 by the Mr. Goyal and family. AIPL is engaged in manufacturing of fabric (shirting & suiting). AIPL was formed to take over the running business of Armani Exports, a partnership firm. The manufacturing facility is located at Rajasthan. At present, the management of AIPL is vested in the hands of Mr. Ravi Goyal, Mr. Ramavtar Goyal and Mr. Manish Goyal.

Key rating drivers

Strengths

- **Experienced management**

The management of AIPL has vast experience of around three decades in the textile industry. Further, the responsibilities are managed adequately by the Directors, namely, Mr. Ravi Goyal, Mr. Ramavtar Goyal and Mr. Manish Goyal.

- **Moderate financial risk profile**

The financial risk profile of the company has remained moderate marked by net worth of Rs.18.92 crore as on 31 March 2017, which include unsecured loan as quasi equity of Rs.13.94 crore as against Rs.15.89 crore as on 31 March 2016, which include unsecured loan as quasi equity of Rs.12.67 crores. The gearing stood low at 0.77 times as on 31 March 2017 as against 1.10 times as on 31 March 2016. The total debt of Rs.14.53 crore outstanding as on 31 March 2017 comprises Rs.5.60 crore of long term debt and Rs.6.73 crore as working capital borrowing from the bank. The ICR improved to 2.97 times in FY2017 as against 2.10 times in FY2016. The DSCR also improved to 1.53 times in FY2017 as against 1.39 times in FY2016.

- **Growth in profitability margins**

AIPL's EBITDA margins have increased from 9.26% in FY16 to 15.50% in FY17. The PAT margin has increased from 1.58% in FY16 to 2.74% in FY17. The reason for increase in margin is on account of lower raw material cost, decrease in employee cost and power cost in FY2017 over FY2016.

Weaknesses

- **Working capital intensive operations**

The operations of AIPL are working capital intensive marked by GCA of 125 days in FY2017 as against 108 days in FY2016. The receivable days are moderate at 70 in FY2017 as against 55 in FY2016.

Inventory holding period is low at 34 days in FY2017 as against 28 days in FY2016. The average bank

limit utilization stood at 75 per cent for the average of last six months ended March 2018. SMERA believes being into textile industry and 100 per cent exports the operations of AIIPL will remain working capital intensive over the medium term.

• Competition from other established players in the industry

AIIPL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

• Risk related to economic conditions of the export countries

The company manufactures garments and exports the same, thereby exposing to the risk related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the inflow of orders for the company.

• Foreign exchange fluctuation risk

As 100% of its total revenue comes from export market, the company is exposed to the foreign exchange fluctuation risk. AIIPL enters into forward contract whenever required.

Analytical Approach

SMERA has considered standalone business and financial risk profile of AIIPL to arrive at the rating.

Outlook- Stable

SMERA believes that AIIPL will maintain a 'Stable' business risk profile on account of experienced management and diversified product profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in the revenues or profitability and deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	63.85	90.79	83.07
EBITDA	Rs. Cr.	9.89	8.41	10.24
PAT	Rs. Cr.	1.75	1.43	2.40
EBITDA Margin	(%)	15.50	9.26	12.33
PAT Margin	(%)	2.74	1.58	2.90
ROCE	(%)	14.26	14.21	35.65
Total Debt/Tangible Net Worth	Times	0.77	1.10	1.62
PBDIT/Interest	Times	2.97	2.10	2.12
Total Debt/PBDIT	Times	1.87	2.08	2.42
Gross Current Assets (Days)	Days	125	108	120

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Feb-2017	Cash Credit	Long Term	INR 2.00	SMERA BB-/ Stable (Reaffirmed)
	Term Loan	Long Term	INR 14.20	SMERA BB-/ Stable (Reaffirmed)
	Packing Credit	Short Term	INR 15.00	SMERA A4+ (Reaffirmed)
07-Jan-2016	Cash Credit	Long Term	INR 2.00	SMERA BB-/ Stable (Upgraded from SMERA B+/Stable)
	Term Loan	Long Term	INR 14.20	SMERA BB-/ Stable (Upgraded from SMERA B+/Stable)
	Packing Credit	Short Term	INR 15.00	SMERA A4+ (Upgraded from SMERA A4)
06-Apr-2015	Cash Credit	Long Term	INR 2.00	SMERA B/ Stable (Assigned)
	Term Loan	Long Term	INR 14.20	SMERA B/ Stable (Assigned)
	Packing Credit	Short Term	INR 15.00	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.20	SMERA BB-/Stable (Reaffirmed)
Packing credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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