

Ayaan Trendz Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	13.00	SMERA BB+/Stable (Assigned)
Term Loan	2.10	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.15.10 crore bank facilities of Ayaan Trendz Private Limited (ATPL). The outlook is '**Stable**'.

To arrive at the rating, SMERA has consolidated the business and financial risk profiles of ATPL and Vipul Industries Private Limited (VIPL), together referred to as the Vipul Group. The consolidation is in the view of the common ownership as also the financial and operational linkages within the group.

The rating derives comfort from the group's experienced management, stable operating profitability, and above average financial risk profile. However, the rating is constrained by the moderate scale of business, working capital intensive operations, susceptibility of profits to volatility in raw material prices and the highly fragmented and competitive textile industry.

The Vipul Group is promoted by Mr. Mukesh Kumar Agarwal and Mr. Anil Kumar Agarwal, who possess more than two decades of experience in the textile industry. The group is engaged in the manufacture and sale of women's garments. The margins have remained largely stable and range bound. The EBIDTA margins stood at 7.26 per cent in FY2015-16 compared to 7.16 per cent in FY2014-15.

The group has reported operating income of Rs. 115.46 crore in FY2015-16 as against Rs.126.66 crore in FY2014-15. The financial risk profile is above average marked by gearing of 0.68 times as on March 31, 2016 as compared with 0.74 times as on March 31, 2015. The Interest coverage ratio (ICR) stood at 2.24 times, while the debt service coverage ratio (DSCR) stood at 1.70 times in FY2015-16..

However, the group's operations are working capital intensive as reflected in the high gross current assets (GCA) of 233 days in FY2015-16 (PY: 238 days). This is on account of the high inventory holding of 105 days and debtors of 128 days in FY2015-16.

Besides, the operations are susceptible to volatility in raw material prices. Any adverse movement in the prices of raw material is likely to impact the profitability of the group. Also, the group operates in the highly fragmented and competitive textile industry.

Rating Sensitivity Factors

- Sustainable growth in revenues with improvement in profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

Outlook-Stable

SMERA believes that the Vipul Group will maintain a stable outlook in the medium term and continue to benefit from its experienced management and established presence in the textile industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk

profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the rating:

- Manufacturing Entities
- Consolidation

About the Group

The Vipul Group comprises two entities viz. VIPL and ATPL, engaged in the manufacturing and sale of women's garments. The group sells its products under the brand name of 'Vipul Fashions'.

In FY2015-16, the group reported profit after tax (PAT) of Rs.1.79 crore on operating income of Rs.115.46 crore, as compared to PAT of Rs.1.76 crore on operating income of Rs.126.66 crore in the previous year.

About the Company

The Surat-based ATPL, incorporated in 2011, by headed Mr. Aakash Agarwal and Mr. Aman Agarwal (Directors). The company is engaged in the manufacture and sale of printed sarees.

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ABOUT SMERA

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