

Press Release

Aarti Suitings Private Limited

April 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 16.00 crore bank facilities of Aarti Suitings Private Limited. The outlook is '**Stable**'.

Aarti Sutings Private Limited (ASPL) was established in 1994 by Mr. Nand Kishore Jindal, Mr. Madhur Jindal and Ms. Nidhi Jindal. The company is engaged in the manufacturing and export of suiting, shirting and fabrics at Bhilwara, Rajasthan. The installed capacity stands at 50 lac metres per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The company benefits from its experienced management. Mr. Nand Kishore Jindal, Mr. Madhur Jindal and Ms. Nidhi Jindal (Managing Director) have more than two decades of experience in the textile industry.

- **Average financial risk profile**

The average financial risk profile is marked by modest net worth of Rs. 12.60 cr as on 31 March, 2016. The gearing has been moderate at 1.33 times with interest coverage ratio of 1.44 times. The DSCR stood at 1.20 with NCA/TD at 0.07 times in FY2016.

- **Diversified geographical reach**

The company generates maximum revenue (around 85 per cent) from the domestic market with the balance (15 per cent) from export to Middle East and South Africa.

Weaknesses

- **Modest scale of operations**

The scale of operations of the company is modest despite having commenced operations in 1994. ASPL registered revenue of Rs.52.57 cr in FY2016. As informed by the management, the company booked revenue of Rs.40.00 cr in the current fiscal.

- **Working capital intensive operations**

The operations are working capital intensive marked by high gross current asset days of 153 during FY2016 as compared to 152 days in FY2015. This necessitates working capital requirements as major funds gets blocked in inventory. The inventory holding days stood at 129 in FY2016 as against 137 in FY2015 mainly due to the inherent cyclicity in the textile industry.

- **Highly competitive and fragmented industry**

The company is exposed to intense competition in the textile industry from organised as well as

unorganised players thereby limiting its bargaining power.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of ASPL.

Outlook: Stable

SMERA believes that ASPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins with improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.16 cr on operating income of Rs.52.57 cr, as compared with PAT of Rs.0.09 cr on operating income of Rs.47.60 cr in FY2014-15.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	10-Oct-2023	5.35	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.60	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA A4+

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ABOUT SMERA

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