

## Press Release

### ARMIN INDUSTRIES

November 07, 2017

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 12.00 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 12.00 crore bank facilities of ARMIN INDUSTRIES. The outlook is '**Stable**'.

The Haryana-based Armin Industries, is a proprietorship firm established in 2009 by Mr Paramjeet Singh. The firm is engaged in the manufacturing and trading of textile items such as mats, bedspreads, quilts among others. It also undertakes job work for other companies.

#### Key Rating Drivers

##### Strengths

- **Experienced promoters**

The group was incorporated in 1990 with the establishment of Babbal Handloom Industries as the flagship entity. The promoters possess experience of almost three decades in the textile industry. The second generation members of the family have now joined the business.

- **Moderate financial riskprofile**

The financial risk profile is marked by low networth, comfortable gearing and moderate debt protection measures. The net worth levels stood at around Rs.9.88 crore on 31 March, 2017 as against Rs.7.35 crore on 31 March, 2016. The net worth includes unsecured loans of Rs.5.60 crore as on 31 March, 2017 compared to Rs.3.33 crore in FY2016 from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. The gearing stood at a comfortable 0.89 times as on 31 March, 2017 as against 0.87 times in the previous year. The comfortable gearing is on account of low net worth of Rs.9.88 crore as against total debt of Rs.8.76 crore in FY2016-17. Further, the total debt includes term loan of Rs.0.77 crore and working capital limit of Rs.7.99 crore. The interest coverage ratio stood moderate at 1.98 times in FY2016-17 as compared to 2.68 times in FY2015-16. The net cash accrual by total debt (NCA/TD) stood at 0.12 times in FY2017 compared to 0.17 times in FY2016. The debt to service coverage ratio (DSCR) stood at 1.68 times in FY2017 compared to 2.68 times in FY2016.

##### Weaknesses

- **Susceptibility of operating margins to volatility in the prices of key raw materials**

The Armin Group is vulnerable to fluctuations in the prices of raw materials. Any change in prices may affect margins adversely.

- **Competitive and fragmented industry**

The textile industry is highly competitive due to the presence of multiple players which results in intense competition from organised as well as unorganised players.

##### Analytical Approach

While assigning the rating, SMERA has consolidated the operational and financial risk profiles of Armin Industries, Babbal Handloom Industries and Babbal Texo Fab. The consolidation is in view of the common management, similarities in the lines of business and significant business & financial synergies. The group is

referred to as the Armin Group (AG).

### Outlook: Stable

SMERA believes that the group will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in its capital structure.

### About the Group

The group was established in 1990 with the incorporation of Babbal Handloom Industries as the flagship entity. Further, Babbal Texo Feb and Armin Industries were established in 2004 and 2009 respectively. The group was established by Mr. Gurjeet Singh, Mr. Balvinder Singh and Mr. Paramjeet Singh who possess experience of over two decades in the textile industry. The group is engaged in the manufacturing & trading of mats, bedspreads, quilt covers etc. For FY2017, the group reported profit after tax (PAT) of Rs.0.80 crore on operating income of Rs.130.90 crore, compared to PAT of Rs.0.77 crore on operating income of Rs.117.75 crore in FY2016. The net worth stood at Rs.9.88 crore as on 31 March, 2017 as against Rs.7.35 crore a year earlier. The networth of the group in FY2017 includes quasi equity of Rs.5.60 crore.

### About the Rated Entity - Key Financials

For FY2017, the firm reported profit after tax (PAT) of Rs.0.21 crore on operating income of Rs.26.48 crore, compared to profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.25.88 crore in FY2016. The net worth stood at Rs.1.67 crore as on 31 March, 2017 as against Rs.1.51 crore a year earlier.

### 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>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.24	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.76	SMERA BB- / Stable

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## ABOUT SMERA

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