

Press Release

Armin Industries

February 03, 2020



Rating Upgraded & Assigned

Total Bank Facilities Rated*	Rs. 17.00 Cr. (Enhanced from Rs. 12.00 crore)
Long Term Rating	ACUITE BB/ Outlook: Stable (Upgraded and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.14.00 crore bank facilities of ARMIN INDUSTRIES (AI).

Further, Acuité has assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 3.00 crore bank facilities of AI. The outlook is '**Stable**'.

The rating upgrade takes into account the improvement in the business and financial risk profile of the group. The revenues of the company stood at Rs. 169.24 crore for FY2019 as against Rs. 124.33 crore for FY2018 registering a growth of ~36 per cent. Also, there is a significant growth in the operating margins as reflected from EBITDA margins of 4.63 per cent in FY2019 as compare to 2.53 per cent in FY2018 and PAT margins of 2.10 per cent in FY2019 and 0.70 per cent in FY2018. The rating continues to draw comfort from the long standing experience of the management.

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, mink blankets, and quilts among others. AI also undertakes job work for other companies.

About the Group

The group was established in 1990 with the incorporation of Babbal Handloom Industries as the flagship entity. Further, Babbal Texo Fab, Armin Industries and Vogue India were established in 2004, 2009 and 2018 respectively. The group was established by Mr. Gurjeet Singh, Mr. Balvinder Singh and Mr. Paramjeet Singh who have amassed experience of over two decades in the textile industry. The group is engaged in the manufacturing & trading of mats, bedspreads, quilt covers, mink blankets, quilts etc.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Armin Industries (AI), Babbal Handloom Industries (BHI), Babbal Texo Fab (BTF) and Vogue India (VI) together referred to as Armin Group. The consolidation is in view of similarity in the line of business, common management and operational synergies among the entities. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Experienced management

The promoter of the group Mr. Paramjeet Singh, Mr. Gurjeet Singh and Mr. Balvinder Singh have experience of more than two decades in the textile industry. The established track record of operations and experience of the management have helped the group to develop healthy relationships with its customers and suppliers.

Acuité believes that the group will continue to benefit from the promoters established presence in the industry and its improving business risk profile over the medium term.

• Improved profitability margins

Operating margins in FY2019 surged to 4.63 per cent vis-à-vis 2.53 per cent in FY2018; this was mainly on account of reduction in raw material prices owing to higher volume of sales. The PAT margins have

also increased to 2.10 percent for FY2019 as against 0.79 percent for FY2018.

• **Efficient working capital operations**

Operations of the group are working capital efficient marked by gross current assets (GCA) of 97 days in FY2019 as compared to 79 days in FY2018. This is on account of debtor collection period of 44 days in FY2019 as against 23 days in FY2018 and inventory holding period of 48 days in FY2019 as against 51 days in FY2018. Average working capital utilization for past eight months ended December 2019 stood at ~78 percent.

Acuité believes that the working capital operations of the group will continue to remain efficient over the medium term on account of efficient debtor collection period.

Weaknesses

• **Average financial risk profile**

The group has average financial risk profile marked by modest net worth, high gearing and average debt protection metrics. The net worth stood at Rs.12.02 crore as on 31 March, 2019 as against Rs.6.97 crore on 31 March, 2018. The increase in the net worth was mainly due to steady accretion to reserves and infusion of capital by the promoters. The group has followed an aggressive financial policy in the past; the same is reflected through its gearing levels of 4.16 times as on March 31, 2018. The gearing improved to 3.10 times as on March 31, 2019. The total debt of Rs.37.22 crore as on 31 March, 2019 consist of long term debt of Rs.7.77 crore, unsecured loans of Rs.13.66 crore and working capital requirement of Rs.15.79 crore. The interest coverage ratio stood at 2.86 times for FY2019 as compared to 2.54 times for FY2018. Total outside liabilities to tangible net worth (TOL/TNW) stood at 4.10 times as on 31 March 2019 as against 4.71 times as on 31 March 2018.

Acuité believes that the financial risk profile of the group is likely to remain average over the medium term, on account of high gearing and average debt protection metrics.

• **Competitive and fragmented industry**

The group operates in a highly competitive and fragmented industry characterised by large number of organized and unorganised players mainly on account of low entry barriers. However, the risk is mitigated to an extent due to established track record of operations.

Liquidity position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.5.28 crore for FY2019, with debt repayment obligations of Rs.0.39 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.5.32 crore to Rs.6.03 crore during FY2020-22 against debt repayment obligations of Rs.1.07-Rs.1.36 crore every year in the same period. The group's working capital operations are efficient, marked by GCA of 97 days for FY2019. The average bank limit utilization over the past eight months ended December 2019 remained around ~78 percent. The current ratio stood at 1.61 times as on 31 March, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals against major debt repayments over the medium term.

Rating Sensitivities:

- Substantial improvement in profitability leading to overall improvement in financial risk profile.
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	169.24	124.33

PAT	Rs. Cr.	3.55	0.98
PAT Margin	(%)	2.10	0.79
Total Debt/Tangible Net Worth	Times	3.10	4.16
PBDIT/Interest	Times	2.86	2.54

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Material Covenants

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-Nov-2018	Cash Credit	Long term	6.00	ACUITE BB- Issuer not co-operating*
	Term Loan	Long term	5.24	ACUITE BB- Issuer not co-operating*
	Proposed Long Term Loan	Long term	0.76	ACUITE BB- Issuer not co-operating*
07-Nov-2017	Cash Credit	Long term	6.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long term	5.24	ACUITE BB-/Stable (Assigned)
	Proposed Long Term Loan	Long term	0.76	ACUITE BB-/Stable (Assigned)

*The issuer did not co-operate; based on best available information.

*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	9.00 (Enhanced from Rs. 6.00 Cr)	ACUITE BB/ Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.08 (Reduced from Rs. 5.25 Cr)	ACUITE BB/ Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.92	ACUITE BB/ Stable (Upgraded)

Contacts

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About Acuité Ratings & Research:

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