

Press Release

Art And Craft Exclusives

25 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.50 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 double B minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.10.50 crore bank facilities of Art And Craft Exclusives. The outlook is '**Stable**'.

Founded in 1995 as a proprietorship firm by Mr. Anil Sharma, Art & Craft Exclusives (ACE) is a garment manufacturer and export house at Jaipur. ACE manufactures and exports readymade garments on order basis to Japan, France and other countries. The manufacturing facility is located at Jaipur with installed capacity of around 8,50,000 pieces per annum.

Key Rating Drivers

Strengths

• **Established operational track record and experienced management**

The proprietor, Mr. Anil Sharma has been in the textile industry for more than two decades. Going forward, SMERA believes that the firm will maintain a stable risk profile on account of its established track record and extensive experience of the proprietor in the industry

• **Moderate financial risk profile**

ACE has moderate financial risk profile marked by networth of Rs.4.82 crore as on 31 March, 2017 compared to Rs.4.08 crore as on 31 March, 2016. The gearing (debt-to-equity) improved to 2.66 times as on 31 March, 2017 from 2.86 times as on 31 March, 2016. The total debt of Rs.11.48 crore comprises working capital borrowings of Rs.5.58 crore and term loan of Rs.5.90 crore. The ICR (Interest Coverage Ratio) improved to 1.95 times in FY2017 from 1.66 times in FY2016.

Weaknesses

• **Customer concentration risk**

ACE is exposed to client concentration risk as 82.61 percent of sales in FY2016-17 were made to top two customers i.e. Amina Collections (Japan) and System U (France) as compared to 85.26 percent in FY15-16.

• **Working capital intensive operations**

The operations are working capital intensive with inventory days at 175 in FY2017 as against 196 in FY2016. Further, the GCA improved from 311 days as on 31 March, 2016 to 255 days as on March 31, 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of ACE to arrive at the rating.

Outlook: Stable

SMERA believes that ACE will maintain a 'Stable' outlook over the medium term owing to its

experienced management and established relations with customers. Further, the outlook may be revised to 'Positive' in case of increase in scale of operations while improving profitability margins. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability margins, elongated working capital cycle or decline in net cash accruals.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	15.53	10.72	12.41
EBITDA	Rs. Cr.	1.64	1.73	1.50
PAT	Rs. Cr.	0.39	0.24	0.28
EBITDA Margin	(%)	10.55	16.10	12.12
PAT Margin	(%)	2.50	2.22	2.29
ROCE	(%)	8.41	9.35	15.43
Total Debt/Tangible Net Worth	Times	2.66	2.86	2.83
PBDIT/Interest	Times	1.95	1.66	1.74
Total Debt/PBDIT	Times	6.29	6.00	6.21
Gross Current Assets (Days)	Days	255	311	257

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

CARE in its press release dated Feb 23, 2018 has moved the rating to 'Issuer not Co-Operating' category. The rating action contained in the release of CARE is as under- "In line with the extant SEBI guidelines CARE's rating on ROFE's bank facilities will now be denoted as CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING"

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB- / Stable

Note on complexity levels of the rated instrument

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

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ABOUT SMERA

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