

Press Release

Aesthetics Exports LLP (AELLP)

July 19, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Short Term Rating	ACUITE A4+(Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 7.50 crore bank facilities of AESTHETICS EXPORTS LLP.

Delhi-based, Aesthetics Exports LLP (AELLP) was originally established as a proprietorship firm Aesthetics in 1996 by Mrs. Rohini Gandhi. Further the constitution has been changed to limited liability partnership in 2018. The firm is engaged in the manufacturing of women readymade garments for companies like Monsoon accessorize (UK), John lewis partnership LLP (UK), and other Europe based companies. AELLP has three manufacturing facilities, of which two are located in Delhi and one in Faridabad. Further, the installed capacity of the firm is 45 thousand pieces a month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the AELLP to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

AELLP, originally known as Aesthetics, was established in 1996 thus the firm has an operational track record of around 19 years in garment industry. The firm is led by Mrs. Rohini Gandhi along with Mr. Vipul Gandhi, who are seasoned players in the aforementioned industry having experience of around two decades. Further Mr. Divyesh Gandhi became part of the firm in 2015 with prior experience of 4 years as an investment banker.

- **Reputed clientele**

The extensive experience of the management has enabled AELLP to maintain long standing relationships with many reputed clients like John Lewis, Monsoon Accessorize Limited and Seafolly to name a few.

Weaknesses

- **Modest scale of operations**

The operations of AELLP are modest despite the firm's presence in the line of business for around two decades marked by the revenue of Rs. 18.21 crores in FY2018. Further the revenue for FY2019 stood at 23.37 crore. In addition to that, more than 50 per cent of the revenue are generated from the customers like John Lewis, Monsoon Accessorize Limited and Seafolly.

- **Weak financial risk profile**

The financial risk profile of the firm is weak marked by below average net worth, debt protection metrics and coverage indicators. The net worth of AELLP stood at Rs. 1.76 crore as on 31 March 2018 as against Rs. 1.44 crore as on 31 March 2017. The gearing (debt-equity) stood at 3.17 times as on 31 March 2018 as against 4.08 times as on 31 March 2017. The total debt of Rs. 5.59 crore as on 31 March 2018 mainly comprises Rs. 5.24 crore of working capital borrowings and Rs. 0.30 crore of long-term

debt. The coverage indicators are average marked by interest coverage ratio (ICR) of 2.36 times for FY2018 as against 2.26 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.11 times in FY2018 and 0.08 times in FY2017. Debt to EBITDA stood at 5.18 times in FY2018 as against 7.38 times in FY2017. Acuité believes that the financial risk profile of the firm is expected to remain weak marked by low net cash accruals due to future capex plans in near to medium term.

• Foreign Exchange Exposure

Aesthetics Exports LLP generates all of its revenues by exporting its products overseas thus the business is vulnerable to exchange rate fluctuations and fragile macroeconomic stability. The firm hedges its exposure by making forward contracts.

Liquidity position

AELLP has average liquidity marked by average net cash accruals against no maturing debt obligations. The firm generated cash accruals of Rs. 0.62 crore for FY2018 against no debt obligations for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 0.58 crore to Rs. 1.15 crore during FY 2019-21 against repayment obligations of around Rs. 0.54 crore. The firm's working capital operations are moderate marked by gross current asset (GCA) days of 112 days for FY2018. The firm maintains cash and bank balances of Rs. 0.14 crore as on 31 March 2018. The current ratio stands at 7.90 times as on 31 March 2018. Acuite believes that the liquidity of the firm is expected to be stretched over the medium term on account of modest cash accruals to debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.21	14.74	10.82
EBITDA	Rs. Cr.	1.04	0.75	0.64
PAT	Rs. Cr.	0.50	0.33	0.26
EBITDA Margin	(%)	5.69	5.12	5.88
PAT Margin	(%)	2.74	2.24	2.41
ROCE	(%)	13.06	10.32	9.79
Total Debt/Tangible Net Worth	Times	3.17	4.08	3.16
PBDIT/Interest	Times	2.36	2.26	2.13
Total Debt/PBDIT	Times	5.18	7.32	6.65
Gross Current Assets (Days)	Days	181	189	222

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

Not Applicable

Any other information

AELLP was earlier rated by Acuité by the name of Aesthetics.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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