

Press Release

Aesthetics Exports LLP

September 14, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 7.50 crores bank facilities of Aesthetics Exports LLP (AELLP).

Delhi-based, AELLP was originally established as a proprietorship firm Aesthetics in 1996 by Mrs. Rohini Gandhi. The constitution of the firm has been changed to limited liability partnership in 2018. Currently, the operations of the firm are looked after by Mrs. Rohini Gandhi and Mr. Divyesh Gandhi. AELLP is engaged in the manufacturing of women readymade garments for companies like Monsoon accessorize (UK), John Lewis partnership LLP (UK), and other 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

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

Key Rating Drivers

Strengths

• Experienced management and improvement in scale of operations

AELLP, originally known as Aesthetics, was established in 1996; thus the firm has an operational track record of around 19 years in the garment industry. The firm is led by Mrs. Rohini Gandhi along with Mr. Divyesh Gandhi, both the promoters are seasoned players in the aforementioned industry having a combined experience of over three decades. Owing to the rich experience of the promoters, the firm has been able to establish long-standing relationships with many reputed customers like John Lewis, Monsoon Accessorize Limited and Seafolly, to name a few. Further on account of repeated orders procured from the aforementioned clients, the firm has improved its scale of operations which is evident by the sales of Rs. 33.78 crores in FY2020 (Provisional) as against Rs. 23.56 crores in FY2019 and Rs. 18.21 crores in FY2018 respectively, therefore increasing the turnover by ~86 percent in the last 3 years.

Acuite believes AELLP will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

Weaknesses

• Working Capital Intensive Operations

AELLP's working capital cycle is intensive in nature owing to high levels of debtors maintained by the firm. The Gross Current Asset (GCA) days of the firm are around 132 days in FY2020 (Provisional) as compared to 160 days in the previous year. The GCA days are dominated by the prolonged debtor collection period of 54 days for FY2020 (Provisional) as compared to 81 days in FY2019. The firm reported a slight decline in inventory levels in FY2020 (Provisional) resulting in an average holding period reducing to 30 days from 44 days in FY2019. Further, the creditor collection period stood high at 125 days as on March 2020 (Provisional). However, the average bank limit utilization of the firm for the last 6 month period ending on 30th August 2020 stood low at around 27.42 %. Acuite believes that AELLP's credit risk profile will remain dependent on its ability to manage its working capital requirements over the near to medium term.

• Average financial risk profile

AELLP's financial risk profile is marked by its low net worth, high gearing and moderate debt protection measures. The net worth increased to Rs.3.46 crore as on 31 March, 2020 (Provisional) as against Rs.2.80 crore in the previous year on account of moderate profitability leading to average accretion to reserves. The firm's gearing is estimated to be high at 1.71 times as on 31 March, 2020 (Provisional) as against 1.95 times in the previous year. The firm has followed an aggressive financial policy in the past, as reflected by its peak gearing of around 3.17 times as on March 31, 2018. The total debt of Rs.5.94 crore consists of working capital borrowings of Rs.5.38 crore, and Rs.0.56 crore of unsecured loans as on 31st March 2020 (Provisional). The moderate profitability levels have resulted in moderate net cash accruals of Rs.1.08 crore during FY2020 (Provisional). The interest coverage ratio stood at 3.11 times in FY2020 (Provisional) as against 2.19 times in the previous year. NCA/TD ratio stood 0.18 times in FY2020 (Provisional). Acuite believes that AELLP'S financial risk profile is expected to remain stable over the near to medium term due to no prospective capital expenditure in the coming years and repayment of long term debt.

Rating Sensitivity

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital or any major debt-funded capex

Material Covenants

None

Liquidity position: Adequate

AELLP has adequate liquidity marked by average net cash accruals against no maturing debt obligations. The firm generated cash accruals of Rs. 1.08 crore for FY2020 (Prov.) against no debt obligations for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 0.63 crore to Rs. 0.90 crore during FY 2021-23 against no repayment obligations. The firm's working capital operations are moderately intensive, marked by Gross Current Asset (GCA) days of 132 days for FY2020 (Prov.). The firm maintains cash and bank balances of Rs. 0.58 crore as on 31 March FY2020 (Prov.). The current ratio stands at 1.30 times as on 31 March 2020 (Prov.). Acuite believes that the liquidity of the firm is expected to be adequate over the medium term on account of average cash accruals to no debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	33.78	23.56
PAT	Rs. Cr.	0.94	0.57
PAT Margin	(%)	2.77	2.44
Total Debt/Tangible Net Worth	Times	1.71	1.95
PBDIT/Interest	Times	3.11	2.19

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

Not Applicable

Any other information

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-July-2019	Packing Credit	Short Term	4.90	ACUITE A4+ (Assigned)
	Proposed bank facilities	Short Term	2.60	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	7.50 (Revised from Rs. 4.90 Cr.)	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nikhilesh Pandey Rating Analyst - Rating Operations Tel: 011-4973 1304 nikhilesh.pandey@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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