

Press Release**Aman Exports**

July 27, 2017

**Rating****Reaffirmed**

Total Bank Facilities Rated*	Rs. 14.05 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.05 crore bank facilities of Aman Export. The outlook is '**Stable**'.

Aman Exports, a Noida-based proprietorship firm was established in 1985 by Mr. Vinay Kumar Sharma. The firm is engaged in the export of Indian handicraft and home decor items such as christmas trees, knobs, globes, ornaments, garlands among others to USA and UK.

Key Rating Drivers**Strengths**

- Established track record of operations and experienced management**

The firm was established in 1985 and is led by Mr. Vinay Sharma who possesses more than three decades in the said line of business.

- Moderate financial riskprofile**

The financial risk profile of Aman Exports is moderate marked by high gearing of 1.67 times as on 31 March, 2017 (Provisional). The interest coverage ratio stood at 3.92 times in FY2017 (Provisional) as against 3.89 times in FY2016. The tangible net worth stood at Rs.6.60 crore as on 31 March, 2017 (Provisional) as against Rs. 4.84 crore as on 31 March, 2016. The TOL/TNW has been moderate at 1.71 times as on 31 March, 2017 (Provisional) as against 2.70 times a year earlier. The net cash accruals stood at Rs. 3.37 crore for FY2017 (Provisional) as against debt obligation of Rs. 0.51 crore.

- Healthy operating and PATmargins**

The operating margins of the firm are healthy at 15.62 per cent for FY2017 as against 14.49 per cent for FY2016. The margins have improved on account of fall in raw material prices. The PAT margins are also healthy at 9.47 per cent for FY2017 as against 8.25 per cent for FY2016.

- Efficient working capitalmanagement**

The firm has efficient working capital cycle of 7 days for FY2017 (Provisional). This is on account of low inventory holding period of 6 days in FY2017 (Provisional) as against 13 days in FY2016. The debtor days are also low at 5 days for FY2017 (Provisional) while creditor days are at a low of 4 days for the same period (Provisional).

Weaknesses

- Foreign exchange fluctuation risk along with seasonality**

The firm is an exporter of handicraft items to USA and UK and hence is exposed to foreign exchange fluctuation risk. Also, the revenue and profitability are exposed to seasonality associated with the

demand for handicraft items during Christmas.

• **Highly competitive and fragmented industry**

Aman Exports is exposed to intense competition in the handicraft industry marked by the presence of several medium to big sized players. As a result, the profitability margins of the firm may be affected.

• **Moderate scale of operations**

The firm has moderate scale of operations with operating income of Rs. 27.08 crore for FY2017 (Provisional) as against Rs. 22.07 crore in the previous year despite being in the said line of business for more than three decades. However, the firm has registered Y-O-Y growth in revenues.

• **Geographic concentration risk**

The firm is exposed to geographic concentration risk as it derives 100 per cent revenue from USA and UK. Adverse changes in the regions may affect the profitability of the firm.

Analytical Approach

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

Outlook: Stable

SMERA believes that Aman Exports will maintain a stable outlook over the medium term on the back of its established operations and long standing experience of the proprietor. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations and accruals while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and accruals or working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), Aman Exports reported Profit after Tax (PAT) of Rs.2.57 crore on operating income of Rs. 27.08 crore as against PAT of Rs.1.82 crore on operating income of Rs.22.07 crore for FY2015-16. The net worth stood at Rs.6.60 crore as on 31 March, 2017 (Provisional) against Rs.4.84 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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jun-2016	Term Loan	Long Term	INR 3.57	SMERA BB- / Stable
	Export Packing Credit	Short	INR 10.48	SMERA A4+

		Term		
01-Apr-2015	Export Packing Credit	Short Term	INR 8	SMERA A4
	Proposed Export Packing Credit	Short Term	INR 2	SMERA A4
	Proposed Term loan	Long Term	INR 4.05	SMERA B+ / Stable
26-Mar-2015	Export Packing Credit	Short Term	INR 5	SMERA A4
24-Jan-2014	Export Packing Credit	Long Term	INR 5	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.57	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.48	SMERA A4+

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ABOUT SMERA

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