



Press Release

Aman Exports

November 02, 2018

Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) from **ACUITE A4+** on the Rs. 14.05 crore bank facilities of AMAN EXPORTS (AE). The outlook is '**Stable**'.

AE was established by Proprietor, Mr. Vinay Sharma in 1985. Recently, the constitution changed into partnership from April, 2018. Mr. Vinay Sharma has entered into partnership with his two sons, Mr. Aman Sharma and Mr. Anand Sharma. The firm is engaged in exporting of Christmas Festivities, Fashion Accessories and home furnishings. AE exports to USA (90 percent), Canada and others (10 percent). AE has its manufacturing facility located at Noida (Uttar Pradesh).

Analytical Approach

Acuité has taken a standalone view of the financial and business risk profile of AE to arrive at the rating.

Key Rating Drivers

Strengths

- **Increasing trend of profitability margins**

AE has been experiencing upward trend in its profitability margins for the period under FY16-FY18. The operating margins stood at 17.64 times in FY18 as against 17.42 times in FY17 and 14.49 times in FY16. However, PAT margins are following the same pattern reflecting 10.27 times in FY18 as compared to 9.82 times in FY17. The improvement is on account of marginal improvement in revenues as well as decrease in expenses.

- **Efficient working capital cycle management**

AE mainly books revenue in its peak season i.e. April-October. In non-peak season, the firm does sampling and collects orders. The working capital cycle days are being managed efficiently at 3 days, albeit GCA days are on higher side of 128 days in FY18. This is on account of low inventory holding period and enjoys high credit from suppliers which stood at 5 and 7 days, respectively.

- **Moderate financial risk profile**

The financial risk profile of AE is moderate marked by improving gearing and healthy debt protection metrics. The tangible net worth stood at Rs.7.48 crore as on 31 March, 2018 as against Rs.6.15 crore as on 31 March, 2017. The gearing improved to 1.48 times as on 31 March, 2018 from 1.79 times as on 31 March, 2017. The debt of Rs.11.05 crore consists of short-term borrowings of Rs.5.03 crore, term loans of Rs.3.56 crore and unsecured loans from promoters' of Rs.2.46 crore. The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) at 4.27 times in FY2018 as against 4.03 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 1.54 times as on 31 March, 2018 from 1.90 times as on 31 March, 2017. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.34 times in FY18. Acuité believes that the financial risk profile is expected to be at similar levels over the medium term as the company has no capex plan.

Weaknesses

- **Foreign Exchange fluctuation risk along with seasonality**

The firm is exposed to foreign exchange fluctuation risk as it exports more than 95 percent of its revenue. Thereby, the revenues are exposed to seasonality associated with the demand for decorative items for Christmas.

- **Highly competitive and fragmented industry**

AE works in the handicraft industry which is marked by the presence of several medium to big size players. Hence, due to competitive nature of business, the profitability margins of the company may be affected.

Outlook: Stable

Acuité believes that AE will maintain a 'Stable' outlook over the medium term owing to consistent growth of profitability margins while maintaining growth in revenue. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and decline in margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.81	26.97	22.07
EBITDA	Rs. Cr.	4.91	4.70	3.20
PAT	Rs. Cr.	2.86	2.65	1.82
EBITDA Margin	(%)	17.64	17.42	14.49
PAT Margin	(%)	10.27	9.82	8.25
ROCE	(%)	22.37	22.31	20.26
Total Debt/Tangible Net Worth	Times	1.54	1.90	2.70
PBDIT/Interest	Times	4.27	4.03	3.89
Total Debt/PBDIT	Times	2.28	2.35	3.71
Gross Current Assets (Days)	Days	128	107	128

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jul-2017	Term Loan	Long Term	INR 3.57	ACUITE BB- / Stable (Reaffirmed)
	Packing Credit	Short Term	INR 10.48	ACUITE A4+ (Reaffirmed)
24-Jun-2016	Term Loan	Long Term	INR 3.57	ACUITE BB- / Stable (Upgraded)
	Packing Credit	Short Term	INR 10.48	ACUITE A4+ (Upgraded)
01-Apr-2015	Packing Credit	Short Term	INR 8	ACUITE A4 (Reaffirmed)
	Proposed Packing Credit	Short Term	INR 2	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	INR 4.05	ACUITE B+ / Stable (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
Term loans	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE BB- / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Reaffirmed)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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