Aman Exports International

February 27, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	122.52	IVR BBB-; Stable (IVR Triple B minus with stable outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	16.50	IVR A3 (IVR A Three)	-	Rating Assigned	Simple
Total	**139.02 (Rupees one hundred thirty-nine crore and two lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Aman Exports International (AEI) derives comfort from its experience partners, locational advantage with diversified revenue profile, reputed clientele and stable business performance in FY24 [FY refers to the period from April 1 to March 31]. However, these rating strengths are partially offset by exposure to intense competition due to low entry barrier, susceptibility of profitability to volatility in raw material prices, exposure to foreign exchange fluctuation risk, regulations in other geographies and vulnerability to changing trends. Moreover, the ratings also consider its average financial risk profile marked by working capital-intensive nature of operations leading to moderate capital structure & moderate debt protection metrics. The ratings also note its partnership nature of constitution of AEI.

The stable outlook reflects expected stable business performance of the firm in the near to medium term supported by its experienced partners and established market position.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in revenues and profitability
- Sustained improvement in the capital structure with improvement in debt protection metrics.
- Efficient working capital management leading to improvement in operating cycle

Downward Factors

- Any decline in scale of operations and/or profitability, leading to deterioration in debt protection metrics on a sustained basis
- Moderation in the capital structure with moderation in overall gearing ratio to over 3x
- Elongation in operating cycle to more than 200 days impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experience partners**

The main promoter of AEI, Mr. Suresh Kumar Agarwal, has an experience of more than 35 years in the industry. He started as a dealer in grey fabrics in 1978 and gradually expanded his business into manufacturing and exporting of garments. He is supported by his family members, Mr. Vikas Agarwal and Mr. Vinay Kr. Agarwal, who have experiences of more than 16 years in the business.

- **Locational advantage**

The manufacturing facilities of the firm are based in Sitapur, Jaipur which is in proximity to the textile hubs, benefiting the firm to procure raw material.

- **Reputed clientele**

The firm exports more than 50% of its products in countries like USA, UK, Russia, Brazil, Turkey etc and is tied up with international brands like Zara International, Mango, Marisa etc. The firm has domestic tie ups with retail chains like Reliance Retail, Lifestyle, Shoppers Stop, etc. The firm has launched its own brand in the name of Juniper.

- **Stable business performance**

The total operating income (TOI) of the firm, though remained erratic over the past three fiscal years, registered a CAGR of ~17%. The revenue in FY23 increased to Rs.282.63 crore from Rs.203.12 crore in FY22. However, the same moderated to Rs.191.50 crore in FY24 mainly due to Russia-Ukraine armed conflict impacting the global trade. The export sales of the firm moderated to ~Rs.87 crore in FY24. Further, in domestic front, business with Reliance Retail Limited was put on temporary hold in absence of mutual consent on payment terms. Despite the dip in TOI in FY24, EBITDA margin has improved from 10.53% in FY23 to 11.92% in FY24 due to better cost of production achieved through early contract booking of raw materials on receipt of order to mitigate price volatility. However, in line with TOI, the absolute EBITDA has reduced from Rs. 29.76 crore in FY23 to Rs. 22.82 crore in FY24. Consequently, PAT margin though remained healthy has also reduced marginally from 3.58% in FY23 to 3.26% in FY24. However, with stabilisation of global demand supported by additional contract-based customers in domestic market including Reliance, Zudio, Max etc, the turnover has improved by ~18% registering a TOI of Rs.145.44 crore in 9MFY25. With improved turnover, the profit levels have also improved in 9MFY25.

Key Rating Weaknesses

- **Exposure to intense competition due to low entry barrier**

As the apparel manufacturing and retailing sectors are fragmented and unorganized, the competitive intensity is high. Most of the apparel manufacturers typically tend to be dependent on limited set of customers which leads to geographic concentration risk. Also, retail sales of international brands that have entered the Indian market in recent years, have being growing at a strong pace leading to a stiff competition with the domestic brands.

- **Susceptibility of profitability to volatility in raw material prices**

The firm's profitability is vulnerable to volatility in raw material prices as raw material cost comprises roughly ~30-40% of total operating income. The company mainly uses cotton and fabric. The profitability relies on the price of cotton which is affected by agro-climatic conditions, Minimum Support Price (MSP) decided by the Central government and the demand from raw cotton export market.

- **Exposure to foreign exchange fluctuation risk, regulations in other geographies and vulnerability to changing trends**

The firm operates in export as well as in domestic markets. This exposes the firm to uncertainties regarding sudden changes to regulations in other countries where they operate and to the risk of forex fluctuations which can affect profitability. Furthermore, readymade garment business is characterized by a constant change in fashion trends and as such the ability of the firm to constantly innovate in terms of fashion trends is important.

- **Average financial risk profile marked by moderate capital structure and moderate debt protection metrics**

The debt profile of the firm comprises majorly Term Loans, Vehicle Loan, EPC, overdraft and unsecured loans. The net worth base (including subordinated unsecured loan of Rs.1.88

crore) after adjusted for long pending debtors of the firm stood moderate at Rs. 41.13 crore as on March 31,2024. The capital structure of the firm indicated by its long-term debt equity ratio improved to 0.69x (0.88x as on March 31,2023) due to scheduled repayment of existing term loans and repayment of unsecured loans. Further, the total indebtedness marked by TOL/ATNW also improved to 3.44x as on March 31,2024 from 3.48x as on March 31,2023. However, the overall gearing ratio has moderated marginally to 2.97x as on March 31,2024 (2.91x as on March 31,2023) with increase in total debt. In order to support the ongoing capex and working capital requirements the partners has infused subordinated unsecured loans aggregating to ~Rs.7 crore during 9MFY25. On the back of the same the overall gearing has improved to 2.64x as on December 31, 2024. The debt protection parameters of the firm remained moderate over the years. The interest coverage ratio remained healthy at 3.14x in FY24 (3.49x in FY23) though moderated due to decline in absolute EBITDA. The Total debt to EBITDA and Total debt to NCA has also remained moderate at 5.25x & 12.06 years respectively as on March 31,2024.

- **Working capital intensive nature of operations**

The firm's business is working capital intensive as it needs to maintain a high inventory for its distribution business. Even in the manufacturing segment the inventories remain high due to stocking of raw material to maintain consistency in the product. The operating cycle of the firm stood high at 183 days in FY24 as compared to 101 days in FY23 on account of increase in collection and inventory period.

- **Partnership nature of constitution**

AEI remains susceptible to risks associated with its status as a partnership firm, including the risk of capital withdrawals, dissolution of the firm etc. Furthermore, partnership nature of constitution also restricts the financial flexibility of the firm to an extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate gross cash accruals in the range of ~Rs.14.49 to ~Rs.18.32 crore as against its debt repayment obligations in the range of ~Rs.4.28 to ~Rs.4.41 crore during FY25-FY27. The firm has earned a gross cash accrual of ~Rs.10 crore in FY24. Further, the company's fund based working capital limits were ~76% utilised for the past 12 months ended December 2024 indicating adequate liquidity buffer. However, the firm has limited gearing headroom due to its high overall gearing at 2.97x as on March 31, 2024.

About the Firm

Aman Exports International is a partnership firm located in Sitapura, Jaipur established in 2009 as a manufacturer of garments for women and children. The firm has six manufacturing units located in Sitapura Industrial Area, Jaipur. The firm exports more than 50% of its products in countries like USA, UK, Russia, Brazil, Turkey etc and is tied up with international brands like Zara International, Mango, New Look, Tema Group, Marisa etc. The firm has domestic tie ups with retail chains like Reliance Stores, Lifestyle, Shoppers Stop, Aditya Birla Retails, Mahindra & Mahindra etc. The firm has launched its own brand in the name of Juniper.

Financials (Standalone):

(Rs. Crore)

For the year ended / As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	282.63	191.50
EBITDA	29.76	22.82
PAT	10.11	6.24
Total Debt	116.64	122.03
Tangible Net worth	42.21	43.25
Adjusted Tangible Net worth	40.07	41.13
EBITDA Margin (%)	10.53	11.92
PAT Margin (%)	3.58	3.26
Overall Gearing Ratio (x)	2.91	2.97
Interest Coverage (x)	3.49	3.14

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: The ratings of Aman Exports International continue to remain under Issuer Not Cooperating category by Brickworks Ratings as per Press Release dated July 22, 2024, due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	Term Loan	Long Term	29.02	IVR BBB-; Stable	-	-	-
2.	EPC	Long Term	58.50	IVR BBB-; Stable	-	-	-
3.	Overdraft	Long Term	35.00	IVR BBB-; Stable	-	-	-
4.	Export Gold Card	Short Term	11.50	IVR A3	-	-	-
5.	Export Invoice Financing	Short Term	5.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Formerly Infomerics Valuation & Rating Pvt. Ltd.) (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Press Release

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Oct 2039	29.02	IVR BBB-; Stable
EPC	-	-	-	-	58.50	IVR BBB-; Stable
Overdraft	-	-	-	-	35.00	IVR BBB-; Stable
Export Gold Card	-	-	-	-	11.50	IVR A3
Export Invoice Financing	-	-	-	-	5.00	IVR A3

Annexure 2: Facility wise lender details: https://www.infomerics.com/admin/prfiles/len-aman-exports-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.