

A.I. Enterprises Private Limited

November 11, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term Bank Facilities	17.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Long-term / Short-term Bank Facilities	18.00	CARE BB-; Stable / CARE A4 (Double B Minus; Outlook: Stable/ A Four)	Assigned
Short-term Bank Facilities	37.00	CARE A4 (A Four)	Assigned
Total Bank Facilities	72.00 (₹ Seventy-Two Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of A.I. Enterprises Private Limited (AIEPL) are constrained by modest scale of operations, leveraged capital structure, weak debt coverage indicators and Volatility in raw material prices and forex risk. The ratings, however, derive strength from experienced promoters and long track record of operations, diversified business profile.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Ability to scale up the operations to over Rs. 250 crores while maintaining the PBILDT margin of over 6% on consistent basis.
- Improvement in capital structure with overall gearing below 4x.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any sizable decline in scale of operations with income below Rs.150 crore along with decline in PBILDT margin below 4%.
- Any large debt funded capex leading to further deterioration in capital structure with overall gearing above 8x.

Detailed description of the key rating drivers

Key rating weaknesses

Moderate scale of operations

Though the company has been operational for over two decades, the scale of operations stood moderate in the range of Rs.182 crore to Rs.229 crore over the past 3 years ended FY22. The company made net losses till FY20 due to moderate performance of the auto dealership segment. The company booked income of Rs.100 crore (Rs. 28 crore from Manufacturing segment and Rs. 72 crore from auto dealership) in 5mFY23(Prov.) (refers to the period April 01 to August 31).

Leveraged capital structure and weak debt coverage indicators

The company's working capital utilisation level stood maximum which along with losses in the past resulted in leveraged capital structure marked with overall gearing of 7.01x as of March 31, 2022 (Prov.) as against 7.83x as of March 31, 2021. The operating profit has improved in FY22 resulting in improved interest coverage of 1.82x as of FY22 (Prov.) as against 0.88x as of FY21. However, with thin accruals, the total debt/GCA stood weak at 29.45x as of March 31, 2022(Prov.) as against 40.51x as of March 31, 2021.

Volatility in raw material prices and forex risk

The prices of Cotton Fabric, the key raw material is dependent on the prices of cotton and yarn which are governed by various factors such as area under cultivation, monsoon, export quota by Government, international demand-supply situation, etc. Further the major portion of revenue of AIEPL is from export sales and hence the company is exposed to forex risk and the company does not have any hedging mechanism.

Key rating strengths

Experienced promoters and long track record of operations

AIEPL was established in 2004 by Mr. Abdul Azeez and Sameena Azeez. Mr. Abdul Azeez holds more than four decades of experience in similar industry and Sameena Azeez looks after finance department and holds experience for twenty-five years in same line of business. Mr. Atheeq Ur Rehman, son of Mr. Abdul Azeez completed his B.E. in Mechanical Engineering and takes care of dealership business. Ms. Hajra Azeez, daughter of Mr. Abdul done her MBA and she looks after the textile business. The

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

long-standing track record in the business and vast experience of the promoters benefits the company to bid many orders from new and existing clientele.

Diversified business profile

The company is operating more than two decades and generates revenue from two business segments. The company was incorporated in 2004 and originally engaged in manufacturing and exporting of readymade garments to Germany, USA, France, South Africa, UK. In 2012, the company has ventured into automobile dealership business of Maruthi Suzuki India Limited (MSIL) Cars and at present has 8 outlets in Chennai. The major source of revenue is generated from dealership, accounting for 59% of total income in FY22, while sale of garments accounts to 48% of income in FY22. AIE has 2 wind mills with total power generation capacity of 750 KW at various locations of Tamil Nadu. The firm meets 50% of its power requirement from wind mills and the remaining from State Government.

Liquidity: Stretched

Liquidity is stretched marked with tightly matched accruals to repay its debt obligations and the company has cash and bank balance of Rs. 3.74 crore as of March 31, 2022(Prov.). The company has elongated operating cycle however improved to 153 days in FY22(Prov.) from 179 days in FY21. As the company is a garment exporter and dealers of Maruti cars, it holds sufficient inventory for garmenting and cars in its stockyard, and on account of the same the inventory days are stretched at 99 days in FY22 albeit improved from 128 days in FY21. AIEPL allows credit period up to 120 days to its garment customers while it avails 30-45 days from its suppliers. The company has been sanctioned with packing credit of Rs. 35 crore and has utilised its limits fully for past twelve months ended September 30, 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

[Auto Dealerships](#)

About the company

A.I. Enterprises Private Limited was established in 2004 and engaged in manufacturing and exporting of readymade garments and was promoted by Mr. H E Abdul Hazeer and Mr. H E Haji Iqbal. The company manufactures shirts, pants, shorts for men and kurtis, pants, skirts for women and exports to Germany, USA, South Africa and UK. Later in 2012, the company has ventured into automobile dealership business of Maruthi Suzuki India Limited (MSIL) Cars and at present has 8 outlets in Chennai. The company has three garment manufacturing units at Ambatur, Katupakkam, and Oothukuli with installed capacity of 25lakh pieces/year. During FY22, export of garments contributed to 38% of income while the rest is contributed through the automobile dealership.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	5mFY23 (P)
Total operating income	182.00	212.21	100.00
PBILDT	7.01	13.51	NA
PAT	0.27	2.39	NA
Overall gearing (times)	7.83	6.83	NA
Interest coverage (times)	0.88	1.82	NA

A: Audited; P: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Brickwork has reviewed the rating of A.I. Enterprises Private Limited and classified into 'issuer not cooperating' category based on best available information vide PR dated March 20, 2021.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3.

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	April 2026	17.00	CARE BB-; Stable
Fund-based - LT/ ST-Post Shipment Credit		-	-	-	18.00	CARE BB-; Stable / CARE A4
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	35.00	CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST-Packing Credit in Foreign Currency	ST	35.00	CARE A4				
2	Fund-based - LT/ ST-Post Shipment Credit	LT/ST*	18.00	CARE BB-; Stable / CARE A4				
3	Fund-based - LT-Term Loan	LT	17.00	CARE BB-; Stable				
4	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A4				

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Post Shipment Credit	Simple
3	Fund-based - ST-Packing Credit in Foreign Currency	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Naveen Kumar S
Phone: +91-422-4332399
E-mail: naveen.kumar@careedge.in

Relationship contact

Name: Pradeep Kumar V
Phone: +91-98407 54521
E-mail: pradeep.kumar@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**