February 24, 2022 (Revised)

Aurora Apparel Private Limited: Rating downgraded to [ICRA]D/[ICRA]D and simultaneously upgraded to [ICRA]B(Stable)/[ICRA]A4

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Term Loan	4.06	2.83	[ICRA]D; Downgraded from [ICRA]BB-(Stable) and simultaneously upgraded to [ICRA]B(Stable)
Long Term / Short Term Interchangeable	(4.00)	(4.00)	[ICRA]D/[ICRA]D; Downgraded from [ICRA]BB-(Stable)/[ICRA]A4 and simultaneously upgraded to [ICRA]B(Stable)/[ICRA]A4
Short Term Fund Based	6.50	6.50	[ICRA]D; Downgraded from [ICRA]A4 and simultaneously upgraded to [ICRA]A4
Short Term Non-Fund Based	1.00	1.00	[ICRA]D; Downgraded from [ICRA]A4 and simultaneously upgraded to [ICRA]A4
Long term/Short Term-Unallocated	0.00	1.23	[ICRA]D/[ICRA]D; Downgraded from [ICRA]BB-(Stable)/[ICRA]A4 and simultaneously upgraded to [ICRA]B(Stable)/[ICRA]A4
Total	**11.56**	**11.56**	

**Instrument details are provided in Annexure-1*

Rationale

The rating downgrade notes the irregularity in debt servicing by Aurora Apparel Private Limited (AAPL) in the past, while the simultaneous upgrade of the rating factors in the subsequent regularisation of debt servicing for the past three months. ICRA has been receiving the No Default Statement (NDS) from AAPL regularly in prior months, which did not suggest any irregularity in debt servicing. However, the latest information suggests that there was an instance of delay in servicing the invoice discounting facility in the past. The debt servicing has been timely during the last three months.

The ratings continue to remain constrained by the weak financial risk profile of AAPL characterized by moderate scale of operations, low net profit margins, moderate coverage indicator and stretched liquidity. The ratings also factor in the intense competition in the textile industry and the exposure of the company's profitability to volatility in raw material. These constraints are mitigated to an extend by the extensive experience of the management in the textile industry and the operational support that the company receives from its promoter companies.

The Stable outlook on the [ICRA]B rating reflects ICRA's opinion that AAPL will benefit from the past experience of its management in the textile industry.

Key rating drivers and their description

Credit strengths:

Extensive experience – Extensive experience of the promoters in the textile industry

Support from promotors - Marketing and operational support from group entities; extended credit period and infusion of unsecured Loans in the past from Tessitura Monti-one of the promoter companies

Credit weaknesses

Modest operations - Scale of operations continues to remain modest; revenue de-growth anticipated for FY2022

Exposure to foreign exchange fluctuation - Susceptibility of AAPL's profitability to foreign exchange (forex) fluctuations owing to its large exports; although the risk is partially mitigated as it now undertakes partial hedging of its export receivables through forward contracts

Liquidity position: Stretched

AAPL's liquidity position remains stretched on account of the net loss in FY2021 and the working capital-intensive nature of operations. The cushion available in the form of undrawn working capital limits remains minimal as indicated by banker.

Rating sensitivities

Positive factors - The ratings can be upgraded if the firm is able to improve its liquidity position, on a sustained basis, while maintaining its profitability level and demonstrating healthy increase in revenues.

Negative factors – Negative pressure on AAPL's ratings could arise if material decline in revenues and profitability leads to lower than-expected cash accruals, or if any major debt-funded capital expenditure, or stretch in the working capital cycle adversely impacts the coverage indicators and liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Default Recognition
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2009, Aurora Apparel Private Limited is involved in manufacturing cotton shirts. AAPL is an equal joint venture of Tessitura Monti India Pvt. Ltd. and Summer Conf, Romania. Most of its customer base is from Europe, Australia and the UAE. AAPL's manufacturing unit is located in Nipani, Belgaum in Karnataka with a total installed capacity of 2,000 shirts per day. The company commenced its production activities from April 2011, and recently expanded its production capacity from manufacturing 1,600 shirts per day to 2,000 shirts per day.

Key financial indicators (actuals)

	FY2019	FY2020	FY2021*
Operating Income (Rs. crore)	27.93	29.42	17.94
OPBDITA	2.39	0.18	-0.31
PAT (Rs. crore)	0.82	-0.89	-1.26
RoCE (%)	10.03%	-2.38%	-4.52%
Total Outside Liabilities/Tangible Net Worth (times)	1.91	2.57	2.51
Total Debt/ OPBDIT (times)	3.74	44.98	-21.29
Interest Coverage (times)	3.26	0.26	-0.39

*Source: ICRA research. *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					February 24, 2022	November 12, 2020	November 7, 2019	November 12, 2018
1	Term Loan	Long-term	2.83	2.84	[ICRA]D; Downgraded from [ICRA]BB-(Stable) and simultaneously upgraded to [ICRA]B(Stable)	[ICRA]BB-(Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Packing Credit	Short Term	6.50	1.85	[ICRA]D; Downgraded from [ICRA]A4 and simultaneously upgraded to [ICRA]A4	[ICRA]A4	[ICRA]A4+	[ICRA]A4+
3	Non-Fund based (Bank Guarantee & Letter of Credit)	Short Term	1.00	-	[ICRA]D; Downgraded from [ICRA]A4 and simultaneously upgraded to [ICRA]A4	[ICRA]A4	[ICRA]A4+	[ICRA]A4+
4	Interchangeable	Long Term/ Short Term	(4.00)	-	[ICRA]D/[ICRA]D; Downgraded from [ICRA]BB-(Stable)/[ICRA]A4 and simultaneously upgraded to [ICRA]B(Stable)/[ICRA]A4	[ICRA]BB-(Stable)/ [ICRA]A4	[ICRA]BB (Stable)/ [ICRA]A4	[ICRA]BB (Stable)/ [ICRA]A4
5	Unallocated Amount	Long Term/ Short Term	1.23	-	[ICRA]D/[ICRA]D; Downgraded from [ICRA]BB-(Stable)/[ICRA]A4 and simultaneously upgraded to [ICRA]B(Stable)/[ICRA]A4	-	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+

** As on March 31, 2021*

Complexity level of the rated instrument

Instrument Name	Complexity Indicator
Long term - Term Loans	Simple
Long term/Short term Interchangeable -Cash Credit	Simple
Short term- Fund based-PCFC	Simple
Short term - Non-Fund based	Very Simple
Long Term/Short Term Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details:

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook*
NA	Term Loan	March 2019	9.75%	July 2024	2.83	[ICRA]B(Stable)
NA	Packing Credit	NA	NA	NA	6.50	[ICRA]A4
NA	Non-Fund based (Bank Guarantee & Letter of Credit)	NA	NA	NA	1.00	[ICRA]A4
NA	Interchangeable	NA	NA	NA	(4.00)	[ICRA]B(Stable)/[ICRA]A4
NA	Unallocated Limits	NA	NA	NA	1.23	[ICRA]B(Stable)/[ICRA]A4

*Rating downgraded to [ICRA]D/[ICRA]D from [ICRA]BB-(Stable)/[ICRA]A4 and simultaneously upgraded to [ICRA]B(Stable)/[ICRA]A4

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

Corrigendum:

Rationale dated February 24, 2022, has been corrected with revision as detailed below:

In the main body of the rationale on Page No. 1 paragraph 3, the rating has been inadvertently mentioned as [ICRA]B+ instead of [ICRA]B which has been corrected.

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About ICRA Limited:

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