

Friends Impex

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	76.92 (Enhanced from 12.00)	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	150.00	CARE BBB; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	2.00	CARE A3+	Assigned

Details of facilities in Annexure -1

Rationale and key rating drivers

The ratings assigned to bank facilities of Friends Impex (FI) continue to derive strength from experienced promoters, with the firm being a part of Gandhidham-based 'Friends Group' having established track record of more than three decades in managing diversified businesses, its presence in Kutch region resulting in easy access to salt, and logistics benefits with its proximity to Deendayal Port (DPT). The ratings also factor in FI's moderate capital structure and debt coverage indicators along with adequate liquidity.

The ratings, however, continue to remain constrained due to moderation in FI's scale of operations in FY24 (refers to April 01 to March 31) and 9MFY25, moderate and volatile profitability, inherent risk associated with commodity trading business, customer concentration risk, exposure to volatility in foreign exchange rates, and constitution as a partnership firm. The ratings also factor in on-going solar power plant capex at group level.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 6% on a sustained basis.
- Diversification in its customer base.
- Improvement in capital structure with overall gearing below 0.5x and total outside liabilities (TOL)/tangible net worth (TNW) below 1.00x on a sustained basis.

Negative factors

- Any significant deterioration in scale of operations from present level and PBILDT margin below 4% on a sustained basis.
- Deterioration in capital structure with gearing above 2.00x on a sustained basis.

Analytical approach: Standalone while factoring in linkage, being a part of 'Friends group' of Gandhidham, Gujarat.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the entity shall continue to benefit from its established relationship with customers and synergies derived from operational linkages among Friends Group entities, which would enable the firm to sustain its operational performance over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record of 'Friends group' across diversified business segments

Gandhidham-based (Gujarat) Friends Group is promoted and managed by the Singhvi family represented by Sukhraj Amarchand Singhvi, Babulal Amarchand Singhvi, Tribhuvan Amarchand Singhvi, and Ashok Amarchand Singhvi, having experience of over two decades in industry. The Friends group has a presence of more than three decades at DPT and is engaged across diversified business activities such as manufacturing & trading of salt, cargo handling & other port-related services, warehousing, auto dealerships, renewable power generation, manufacturing of castor oil as well as other agro products, and trading of various commodities. The Friends group is one of the leading salt producers and exporters, has more than 10 lakh square feet of warehousing capacity, and cumulative renewable power generation capacity of more than 200 MW.

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

Presence in Kutch region resulting in easy access to salt and logistics benefits due to proximity to DPT

India is the third-largest producer of salt in the world. The top five salt-producing states in India are Gujarat, Tamil Nadu, Rajasthan, Maharashtra, and Andhra Pradesh. Of total production in India, Gujarat contributes around one fourth of India's total salt production, largely due to arid climate and large land availability. FI is located near DPT which is one of the major ports in Western India. Hence, FI's presence in the salt-producing region results in benefit derived from lower logistic expenditure (both on transportation and storage) with easy access to export customers. Salt sales constituted ~57% of its trading sales in FY24 (PY: 48%). Also, for coal trading, it imports coal where proximity to DPT results in lower logistics costs as well as benefits from synergy from Friends group, which has large fleet for dry cargo handling.

Moderate capital structure and debt coverage indicators

FI's overall gearing ratio improved to 0.68x as on March 31, 2024 compared to 1.55x as on March 31, 2023 on account of significant decrease in total debt level [including unsecured loans (USLs) from group companies, working capital borrowings and letter of credit (LC) backed acceptance] in tandem with moderation in total operating income (TOI). FI's TNW continued to remain moderate, though decreased marginally from ₹135.13 crore as on March 31, 2023 to ₹122.17 crore as on March 31, 2024 owing to withdrawal of capital by partners to the tune of ₹19.32 crore in the year ended on March 31, 2024.

The firm is constructing a warehouse with envisaged cost of ₹24.90 crore which is proposed to be funded through term loan of ₹16.20 crore [already sanctioned] and balance through internal accruals. The said warehouse is currently under construction and it is expected to be completed in FY26. Overall gearing moderated to 1.18x as on December 31, 2024 [PY: 0.75x], owing to fresh term loan availed [for solar capex and warehouse construction] as well as increased unsecured loans for these projects.

Debt coverage indicators deteriorated in tandem with decrease in operating profit and remained moderate marked by interest coverage ratio of 1.42x [PY: 5.01x] and total debt to gross cash accruals (TDGCA) of 10.21x [PY: 10.50x] in FY24. In 9MFY25, debt coverage indicators improved with interest coverage ratio of 2.78x [PY: 1.42x] and TDGCA of 12.35x [PY: 7.14x]. Increase in TDGCA was due to increase in term loan and USLs.

CARE Ratings expects NKS's capital structure and debt coverage indicators to continue to remain moderate in medium term in consideration of further disbursement in term debt for solar power and warehouse capex, though no other major debt-funded capex is envisaged.

Key weaknesses

Moderate scale of operations and profitability

FI's TOI decreased significantly from ₹913.43 crore in FY23 to ₹462.30 crore in FY24 on account of moderation in demand and realisation of salt along with lower demand for coal from end users. FI's TOI further decreased significantly by ~24% Y-o-Y from ₹244.11 crore in 9MFY25 due to significant decrease in coal demand from end users during the period.

FI's PBILDT margin decreased by 203 bps Y-o-Y from 5.42% in FY23 to 3.38% in FY24 due to decrease in trading profit coupled with high donation expense incurred in Q4FY24. As a result, PAT margin of the firm also decreased to 1.38% in FY24 [PY: 2.81%]. In 9MFY25, PBILDT margin improved by 155 bps Y-o-Y and remained at 7.79% [PY: 6.24%] due to higher trading profit during the period.

On-going solar capex at group level

Friends group periodically undertakes renewable energy (RE) capex for installation of wind mills and solar power plants in consideration of favourable tax treatment and stable cash flow from RE assets.

In FY25, the group is expanding its existing RE capacity in Gujarat by setting up 50.50-MW solar power plants in The Kutch Salt And Allied Industries Limited (rated 'CARE BBB+; Stable / CARE A2'; 21 MW), Friends Impex (rated 'CARE BBB; Stable / CARE A3+; 14 MW), Kandla Agro & Chemicals Private Limited (rated 'CARE BBB-; Stable / CARE A3'; 6.75 MW), Terapanth Foods Limited (rated 'CARE BBB-; Stable / CARE A3'; 5 MW), and New Kandla Salt & Chemical Co. Private Limited (rated 'CARE BBB-; Stable / CARE A3'; 3.75 MW) with aggregate cost of ₹220 crore, which is proposed to be funded through term loans of ₹179.50 crore and balance through internal accruals and own funds. As on December 31, 2024, 22.50 MW of solar plants have already been commissioned in the said entities and the balance is expected to be commissioned in FY26. The Group has also entered into long term PPA (25 years) with Paschim Gujarat Vij Company Limited (PGVCL).

As the project is at advanced stage of completion, debt tie-up in place and with prior experience of the group in RE power generation, the overall project risk remains low.

Inherent risks associated with commodity trading business

FI undertakes trading of various commodities such as coal, salt, and metal scrap among others. The firm is exposed to the inherent risk associated with commodity trading with volatility associated with volume of traded goods which depends on the demand from its customers/end-user industry and has thin profitability margin due to no value addition. FI depends highly on the

health of the economy and trade policies of the government which impacts the demand-supply scenario of the traded commodities such as coal. Also, trading business of salt is seasonal, depending on weather conditions and remains exposed to natural calamity.

Customer concentration risk

Friends Group has presence in various business segments and FI has operational and business synergies to procure and supply goods while maintaining low operating cycle. However, to maintain low transaction risk, the firm is dealing with limited number of industry players, which act as a bulk dealer/ supplier for the firm. Resultantly, the firm is exposed to customer concentration as top five customers contributed more than 96% of sales in FY24 [PY: 91%].

Exposure to volatility in foreign exchange rates

FI's higher export sales exposes it to the risk of adverse movement in foreign exchange rates. In FY24, export sales comprised 41% of its TOI. In absence of any active hedging policy, FI remains exposed to foreign exchange fluctuation risk. However, import [coal and steel scrap among others] activities in last few years provide partial hedge against forex risk.

Liquidity: Adequate

FI's liquidity was adequate marked by healthy cash and bank balance and cash flow from operations (CFO) coupled with moderate working capital limits utilisation and cash accruals against low debt repayment obligation.

Average utilisation of working capital limit remained moderate at ~50% p.a. in trailing 12 months ended in February 2025. FI is expected to generate moderate cash accruals of ₹24-38 crore against low scheduled debt repayment obligations of ₹7 crore in FY26 and FY27. Further, as on March 31, 2024, the firm had cash and bank balance of ₹66.43 crore [including margin money; PY: ₹104.17 crore]. FI's CFO increased significantly from ₹20.49 crore in FY23 to ₹46.75 crore in FY24 on the back of significant decrease in inventory and receivables in tandem with TOI.

Applicable criteria:

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the firm and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial services & supplies	Trading & distributors

FI is a partnership firm established by promoters of the Friends Group of Gandhidham in May 2016 with the main object to start export of traded goods as eligible under EXIM Policy. Initially, the firm started trading/exporting salt mainly by procuring the same from outside suppliers other than Friends Group concerns. However, gradually it added export/domestic trading business for other items also, which can be freely imported/exported, including iron ore, coal, and bauxite. At present, the firm exports salt to China, Bangladesh, Korea, and Japan among others. The firm has total installed capacity for solar power plant of 9.50 MW as on December 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	913.43	462.30	244.11
PBILDT	49.50	15.65	19.01
PAT	25.65	6.37	7.44
Overall gearing (times)	2.32	0.68	1.18
Interest coverage (times)	5.01	1.42	2.78

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure 1: Details of Instrument/Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31/03/2038	76.92	CARE BBB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	2.00	CARE A3+
LT/ST Fund-based/Non-fund-based-PSF/CC/LC/BG	-	-	-	-	150.00	CARE BBB; Stable / CARE A3+

Annexure 2: Rating history of 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	LT/ST Fund-based/Non-fund-based-PSF/CC/LC/BG	LT/ST	150.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (04-Apr-24)	-	1)CARE BBB; Stable / CARE A3+ (31-Mar-23) 2)CARE BBB; Stable / CARE A3+ (07-Apr-22)	1)CARE BBB-; Stable / CARE A3 (01-Apr-21)
2	Fund-based - LT-Term Loan	LT	76.92	CARE BBB; Stable	1)CARE BBB; Stable (04-Apr-24)	-	1)CARE BBB; Stable (31-Mar-23) 2)CARE BBB; Stable (07-Apr-22)	-
3	Fund-based - ST-Bank Overdraft	ST	2.00	CARE A3+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instrument/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	LT/ST Fund-based/Non-fund-based-PSF/CC/LC/BG	Simple

Annexure-5: Lender details

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

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

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About us:

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