Amon-Ra Impex Private Limited

April 03, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	0.50	**CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING)**	**Issuer not cooperating; Based on best available information**
Short-term Facilities	7.25	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)**	**Issuer not cooperating; Based on best available information**
Total facilities	**7.75 (Rs. Seven crore and Seventy-Five lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Amon-Ra Impex Private Limited (ARIPL) to monitor the rating(s) vide e-mail communications/letters dated October 3, 2018, November 26, 2018, December 14, 2018, January 2, 2109 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Amon-Ra Impex Private Limited's bank facilities will now be denoted as **CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING***.
Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings take into account the small and fluctuating scale of operations, low profit margins, weak debt coverage indicators coupled with working capital intensive operations, concentrated supplier base, susceptibility of profitability margins to volatile raw material prices and foreign exchange rate fluctuation, highly competition and fragmented industry and dependence on real estate sector, experienced promoters, long track record of operations, exclusive dealership agreement with Hanwa Group based in Korea along with comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on April 2, 2018 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Strength

***Small and fluctuating scale of operations and thin profit margins**:* The overall scale of operations of the company remained small with total operating income (TOI) remained in the range of 8.53 crore to 14.93 crore during FY16-FY18. Further, the TOI has significantly declined during FY18 and stood at Rs.8.53 crore (vis-à-vis Rs.11.65 crore in FY17). Further ARIPL has incurred operating and net loss of Rs.0.01 crore and Rs.0.12 crore during FY18 respectively.
Weak debt protection metrics: The debt service coverage indicators marked by interest coverage ratio and total debt to GCA stood negative due to net losses posted by the company owing to significantly decline in scale of operations.
Working capital intensive operations: The operations of ARIPL remained working capital intensive nature on account of funds being blocked in inventory and receivables. The average gross collection period stood significantly higher at 192 days for FY18 primarily on account of funds being blocked in inventory and receivables, however the collection period remained elongated from 23 days to 40 days in FY18 due to moderate credit period offered to its customers to maintain its long standing relationship, against the same creditors period stood at 46 days from 39 days in FY17.
Concentrated supplier base: The entity imports 100% of its traded goods from Hanwa based in Korea, thereby exposing the company to supplier concentration risk hence reducing its bargaining power along with increase in dependence on

[2]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

single supplier for uninterrupted supply of traded goods. Nevertheless, some comfort can be drawn from the fact that the company has gained reputation and has established good relationships with suppliers on account of long track record of operations and experience of the promoters.

Susceptibility of profitability margins to volatile raw material prices and foreign exchange rate fluctuation: ARIPL's major raw material is Polyvinyl chloride (PVC), the price of which is fluctuating in nature. Therefore the cost base remains exposed to any adverse price fluctuations of key raw material. Further, the entity imports 100% of its traded goods from Hanwa based in Korea. Further, 100% of the sales of the entity are in the domestic market thereby resulting in no natural hedge being available and no active hedging practices are adopted by the entity to mitigate foreign exchange fluctuation risk. This exposes the entity to risk of foreign exchange fluctuations affecting its profitability.

Highly competitive and fragmented industry along with its dependence on real estate sector: ARIPL operates in a highly competitive and fragmented market which consists of large to small size players. This competitive and fragmented nature of the industry can have an impact on the profitability margin of the firm. The business of the company is highly dependent on real estate sector. Therefore, any change in outlook of the sector will in-turn impact the scale of operations of ARIPL.

Key rating Strengths

Experienced promoters and long track record of operations: ARIPL was established in 1995 and has a track record of more than two decade of experience in tiling and flooring industry. The main promoters of the company i.e. Mr. Ashok Rajgor and Mrs. Kalpana Shah hold an experience of more than two decade each in this industry through their association with ARIPL. On account of long track record of operations and experience of the promoters, the company has gained reputation and has established good relationships with its customers & suppliers.

Exclusive dealership agreement: The Company is an exclusive distributor of various PVC tiles & flooring product lines manufactured by Hanwha (among fortune 500 list) across India thereby offering competitive edge due to unique advantages from the aspect of technical details and appearance.

Comfortable capital structure: During FY18, the capital structure of the ARIPL has improved and stood at 0.35 times (vis-à-vis 0.81 times as on March 31, 2017) on account of repayment of term loans and unsecured loans as on balance sheet date.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Wholesale Trading
Financial ratios – Non-Financial Sector

About the company

Amon-Ra Impex Private Limited (ARIPL) was incorporated in 1995 and is currently being managed by Mr. Ashok Rajgor and Mrs. Kalpana Shah. The company is engaged in the business of trading of polyvinyl chloride tiles & floorings. The company is an exclusive distributor of various PVC tiles & flooring product lines manufactured by Hanwha based in Korea (among fortune 500 list) across India. The company has leased two warehousing facilities located at Bhiwandi, Thane for the storage of traded materials.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	11.65	8.53
PBILDT	0.18	(0.01)
PAT	0.03	(0.12)
Overall gearing (times)	0.81	0.35
Interest coverage (times)	1.89	(0.12)

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	7.25	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE B+; Stable (02-Apr-18)	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	7.25	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (02-Apr-18)	-	-	-

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