Amon-Ra Impex Private Limited

May 04, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	0.50	**CARE B; Stable (Single B; Outlook: Stable)**	**Reaffirmed**
Short-term Bank Facilities	5.00	**CARE A4 (A Four)**	**Reaffirmed**
Total facilities	**5.50 (Rs. Five Crore and Fifty Lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Amon-Ra Impex Private Limited (ARIPL) are continue to be constrained by small and fluctuating scale of operations, low profit margins, weak debt coverage indicators coupled with working capital intensive operations. The rating is further constrained by 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.

The ratings, however, derive benefit from experienced promoters, long track record of operations, exclusive dealership agreement with Hanwa Group based in Korea and comfortable capital structure.

Key Rating Sensitivities

Positive Factors

- Increase in the scale of operations with total operating income exceeding Rs.15 crore and tangible networth base exceeding Rs.5 crore on a sustained basis.
- Improvement in profit margins with PBILDT margin exceeding 2-3% and PAT margin exceeding breakeven level on a sustained basis.
- Improvement in the debt coverage indicators with interest coverage exceeding 1.5-2 times on a sustained basis
- Improvement in liquidity position with collection and inventory period reaching below 50 days and 120 days respectively.

Negative Factors

- Deterioration in the capital structure with overall gearing exceeding unity level on a sustained basis

Detailed description of Key rating drivers

Key rating Weakness

Very small with significant decline in scale of operations: The total operating income has significantly decreased by 19.11% and stood at Rs.6.90 crore in FY19 from Rs.8.53 crore in FY18 due to less number of orders executed during the year. Moreover, the tangible networth base has also remained very low at Rs.2.55 crore as on March 31, 2019 which limits the financial flexibility of the company to an extent.

Operating and net losses occurred during FY18 and FY19: The profitability of ARIPL has historically been on the lower side due to trading nature of the business. However, the company has posted operating loss of Rs.0.14 crore during FY19 vis-à-vis Rs.0.01 crore during FY18. Moreover, the company has incurred net loss of Rs.0.24 crore in FY19 vis-à-vis Rs.0.12 crore in FY18. Owing to the same, the debt coverage indicators stood at adverse levels.

Working capital intensive operations: The operating cycle of ARIPL has elongated in FY19 and stood at 174 days (vis-à-vis 145 days in FY18) primarily on account of funds being blocked in inventory and receivables. The collection period has elongated from 40 days in FY18 to 63 days in FY19 to due to liberal credit period offered to its customers to maintain its long standing relationship. The company normally maintains high level of inventory. As against the same, creditor's period stood moderate and the same has elongated to 55 days in FY19 from 46 days in FY18 due to elongated gross collection period during the year. Furthermore, the business operations are mainly funded through letter of credit for imports purchases.

Susceptibility of profitability margins to volatile material prices and foreign exchange rate fluctuation: ARIPL's traded material viz. Polyvinyl chloride (PVC) tiles which are linked to crude oil and the price it remained fluctuating in nature.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Therefore, the cost base remains exposed to any adverse price fluctuations of key raw material. Further, the company imports 100% of its traded goods from Hanwa based in Korea as against the sales of the ARIPL's are entirely from 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: The capital structure of the company stood comfortable marked by overall gearing of 0.78x as on March 31, 2019 on account of low reliance on external borrowings. During FY19, the capital structure of the ARIPL has marginally improved due to lower debt as on balance sheet date.

Analytical Approach: Standalone

Applicable criteria

CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
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 managed by Mr. Ashok Rajgor and Mrs. Kalpana Shah. The company is engaged in trading of polyvinyl chloride tiles & floorings to various dealers and distributors across Maharashtra. 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)	FY18 (A)	FY19 (A)
Total operating income	8.53	6.90
PBILDT	-0.01	-0.14
PAT	-0.12	-0.24
Overall gearing (times)	0.83	0.78
Interest coverage (times)	NEG	NEG

A: Audited; NEG: Negative

Current year Performance:

During FY20, the company has achieved TOI of Rs.5.10 crore

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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
Non-fund-based - ST-Letter of credit	-	-	-	5.00	CARE A4

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE B; Stable	-	1)CARE B; Stable (14-May-19) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (03-Apr-19)	1)CARE B+; Stable (02-Apr-18)	-
2.	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A4	-	1)CARE A4 (14-May-19) 2)CARE A4; ISSUER NOT COOPERATING* (03-Apr-19)	1)CARE A4 (02-Apr-18)	-

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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