Amon-Ra Impex Private Limited

May 14, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	0.50	**CARE B; Stable (Single B; Outlook: Stable)**	**Revised from CARE B+; Stable (Single B; Outlook: Stable)**
Short-term Bank Facilities	5.00 (Reduced from 7.25)	**CARE A4 (A Four)**	**Reaffirmed**
Total facilities	**5.50 (Rs. Five Crore and Fifty Lakh only)**		

Details of facilities rated in Annexure 1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Amon-Ra Impex Private Limited (ARIPL) is 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 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.

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

Ability of ARIPL to increase its scale of operations and improve its profitability amidst competition and efficient working capital management are the key rating sensitivities.

Detailed description of Key rating drivers

Key rating Weakness

Significant decline in scale of operations with operating and net losses occurred during FY18: The total operating income has significantly decreased in FY18 by 25.59% and stood at Rs.8.53 crore (vis-à-vis 11.65 crore in FY17) due to less orders received during the year on account of implication of GST. Moreover, the company has posted operating loss of Rs.0.01 crore during FY18. Nevertheless, the profitability of ARIPL have historically been on the lower side due to trading nature of the business. The PBILDT and PAT margin stood at 1.57% and 0.23% in FY17 respectively

Weak debt protection metrics: Owing to operating and net loss incurred during FY18, the total debt/GCA and interest coverage stood adverse.

Working capital intensive operations: The operating cycle of ARIPL has elongated in FY18 and stood at 145 days (vis-à-vis 109 days in FY17) primarily on account of funds being blocked in inventory and receivables. The collection period has elongated from 23 days in FY17 to 40 days in FY18 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 46 days in FY18 from 39 days in FY17 due to elongated gross collection period during the year. Furthermore, the business operations are mainly funded through Letter of credit for imports purchases.

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 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 company imports 100% of its traded goods from Hanwa based in Korea. Further, 100% of the sales of the ARIPL's 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. However, the firm has incurred negligible foreign exchange loss in FY18 vis-à-vis foreign exchange loss of Rs.0.17 in FY17.

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

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 0.83x as on March 31, 2017 on account of low reliance on external borrowings. During FY18, the capital structure of the ARIPL has marginally deteriorated and stood 0.83 times (vis-à-vis 0.81 times as on March 31, 2017) due to decline in tangible networth base as on balance sheet date due to losses incurred by the company during FY18.

Liquidity Position: The liquidity position is marked by moderate current ratio and low quick ratio at 1.55 times and 0.54 times respectively as on March 31, 2018. Further, cash flow from operating activities stood positive at Rs.0.69 crore as on March 31, 2018. The average fund based working capital limits remained ~100% utilized during past 12 months ended April, 2019. Moreover, free cash and bank balance was Rs.0.31 crore as on March 31, 2018 (vis-à-vis Rs.0.23 crore as on March 31, 2017).

Analytical Approach: Standalone

Applicable Criteria

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 firm 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 facility 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	0.83
Interest coverage (times)	1.89	NM

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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In case of partnership/proprietary concerns, the rating /outlook 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
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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE B; Stable	1)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; ISSUER NOT COOPERATING* (03-Apr-19)	1)CARE A4 (02-Apr-18)	-	-

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