

February 06, 2023

## Amar International: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Packing Credit (PC)/Packing Credit in Foreign Currency (PCFC)#	25.00	25.00	[ICRA]BBB-(Stable)/[ICRA]A3; reaffirmed
Long-term/ Short-term – Packing Credit (PC)/ Packing Credit in Foreign Currency (PCFC)^	(20.00)	(20.00)	[ICRA]BBB-(Stable)/[ICRA]A3; reaffirmed
<b>Total</b>	<b>25.00</b>	<b>25.00</b>	

\*Instrument details are provided in Annexure-I

^ Sub-limits

# Cash Credit

### Rationale

The reaffirmation of ratings for Amar International factor in the firm's established operational track record and the extensive experience of its partners in the cotton yarn and agro-commodities trading business, resulting in established relationships with its customers and suppliers. Leveraging on the same, the firm registered a healthy performance in FY2022, with revenue of Rs. 362 crore translating to a YoY growth of 19% on the back of steady demand offtake from the cotton yarn and agro commodities business. However, given the moderation in demand for cotton yarn owing to the slowdown in the textile industry, the entity has reported a revenue of Rs. 221 crore in 9M FY2023 and is expected to report lower revenue in FY2023 than FY2022. Although recovery in demand is anticipated over the next few quarters, which is likely to support the firm's growth over FY2024. The ratings also factor in the firm's stable financial profile, as marked by a comfortable capital structure and coverage metrics. Steady internal accrual generation has led to relatively low reliance on debt, translating into low leverage and adequate liquidity position for the firm. Moreover, the firm's financial flexibility is enhanced to some extent as it is a part of the Amar Group, which has a moderate financial profile with limited reliance on external borrowings.

The ratings, however, remain constrained by the firm's low profitability and the vulnerability of its operations to adverse fluctuations in the prices of various commodities and forex risks, given the significant exports and limited imports; although the risk is mitigated to an extent by the hedging policy followed by the firm. Further, stiff competition in the agro-commodity trading business with low entry barriers limits its pricing flexibility. ICRA also notes the partnership status of the firm, whereby any substantial withdrawals from the partner's capital account may adversely affect the capital structure and liquidity profile.

The Stable outlook on the long-term rating factors in the benefits arising from the firm's established operational track record in the cotton yarn and agro-commodities export business along with its comfortable debt protection metrics.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of partners in the agro-commodity trading business** – The operations of Amar International are headed by the members of the Visaria family, who have an extensive experience in the trading of cotton yarn, chemicals/dyes and agricultural commodities. The firm has an established operational track record and continues to benefit from the extensive experience of its key management personnel, which has resulted in established relationships with its customers and suppliers; and scaling up of business operations.

**Geographically diversified customer base** – The customer profile of the firm includes fabric and garment manufacturers, agro commodity traders and direct manufacturers in the international agro-processing market. The firm exports its products to more than 30 countries across the globe, and the customer concentration for the firm remains moderate with top 10 customers contributing 44% and 57% to its total revenues during FY2022 and H1 FY2023, respectively. The firm procures its products from the domestic market, where it enjoys established relationships with its suppliers backed by the strong experience of its partners in the industry. Procurement has also remained moderately diversified as its top 10 suppliers contributed ~42% to its total procurements in FY2022 and H1 FY2023, increasing from 34% in FY2021.

**Adequate financial profile; financial flexibility enhanced by being part of the Amar Group** – Amar International is a key entity of the Amar Group of companies. The firm also has a Group entity, Amar Impex, which trades in and exports various dyes and chemicals. The Group is involved in diverse businesses and has a moderate financial profile with limited reliance on external borrowings. The firm witnessed healthy performance in FY2022 with a revenue growth of 19% to Rs. 362 crore supported by healthy demand scenario. In the current fiscal, the firm's revenue is expected to witness some moderation owing to lower demand levels of its key product, cotton yarn; however, given its low reliance on debt and moderate capital structure, the financial profile is estimated to remain comfortable. Moreover, being a part of a strong group provides financial flexibility to Amar International during unforeseen circumstances.

### Credit challenges

**Low profitability due to trading nature of business and competitive nature of the industry** – The firm's profitability remains low, restricted by the trading nature of the business, with limited value addition. Moreover, due to low entry barriers, Amar International faces competitive pressures from several players in the domestic and international markets, which further limits the scope for margin expansion.

**Margins susceptible to volatility in commodity prices and currency fluctuations** – The profitability of Amar International remains exposed to the fluctuations in basic commodity prices. Given the highly competitive market, its ability to pass on such price fluctuations remains limited. Further, the firm faces significant exposure to the forex market, as around 90-95% of its total revenue is generated through exports, which along with limited imports lead to a lack of natural hedge. Thus, the margins remain susceptible to currency fluctuations. However, the firm partially hedges its currency risk by undertaking forward contracts on a regular basis, which minimises the risk to a certain extent.

**Scale of operations susceptible to agro-climatic conditions** – The operations of the firm and trading volumes of various commodities are highly dependent on climatic conditions in the domestic as well as overseas markets. Uncertainty related to agro-climatic conditions, such as the monsoons, exposes the firm to fluctuations in domestic production and their prices. However, given the various agro-commodities traded and its low reliance on a single crop, the exposure for seasonality trends is mitigated for the firm. At times, when imports are attractive, the Government's import restrictions such as the levy of minimum import price to protect domestic farmers may pose pressure on procurements.

**Risk related to partnership status** – ICRA notes the partnership constitution of the firm, wherein any significant capital withdrawal may lead to an adverse capital structure and trigger an adverse credit action.

### Liquidity position: Adequate

The liquidity position of Amar International is **adequate** supported by steady internal accrual generation, free cash of Rs. 8 crore as on December 21, 2022, and no debt repayment liability. Also, its average utilisation of fund-based working capital limits remained moderate at 36% in the 12-month period ended September 2022, resulting in sufficient cushion in the form of undrawn bank lines, providing comfort to the liquidity profile.

## Rating sensitivities

**Positive factors** – The ratings of the firm are likely to be upgraded if it demonstrates healthy growth in scale of operations and accrual generation, resulting in strengthening of its net worth position.

**Negative factors** – Negative pressure on the ratings could arise following a significant decline in scale of operations or profitability, as well as sizeable withdrawals from the partner's capital account, impacting the firm's capital structure and liquidity profile.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Amar International.

## About the company

Amar International, established in 1980, is a partnership firm that trades in agricultural commodities and cotton yarn. The firm trades in different types of agricultural commodities, namely sesame seeds, groundnuts and several spices like cumin seeds, chilly, turmeric, dry ginger, fenugreek seeds, nutmeg and cotton yarn, which are procured from the domestic market, cleaned and sorted, after which they are exported to various countries. Amar International is a part of the Amar Group of companies. Apart from Amar International, the Group has four other entities—namely, Amar Impex, which trades in chemicals and dyes; Color Technology, which trades in chemicals; Amar Industries, which manufactures and exports writing instruments. Amar International and Amar Impex are the key companies of the Group. The firm's registered office is in Mumbai.

## Key financial indicators (audited)

Amar International – Standalone	FY2021	FY2022
Operating income	304.0	357.3
PAT	2.9	12.8
OPBDIT/OI	1.9%	5.6%
PAT/OI	1.0%	3.6%
Total outside liabilities/Tangible net worth (times)	1.2	0.8
Total debt/OPBDIT (times)	4.7	1.2
Interest coverage (times)	3.7	13.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Feb 6, 2023	Feb 10, 2022	Dec 10, 2020	Dec 13, 2019
1 PC/PCFC	Long Term/Short Term	25.00	-	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3
2 PC/PCFC <sup>^</sup>	Long Term/Short Term	(20.00)	-	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3

<sup>^</sup> Sub-limits

## Complexity level of the rated instruments

Instrument	Complexity Indicator
PC/PCFC	Simple
PC/PCFC <sup>^</sup>	Simple

<sup>^</sup> Sub-limits

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, are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	PC/PCFC/BD	NA	NA	NA	25.00	[ICRA]BBB-(Stable)/[ICRA]A3
-	PC/PCFC^	NA	NA	NA	(20.00)	[ICRA]BBB-(Stable)/[ICRA]A3

Source: Company; ^ Sub-limits

[Please click here to view the details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

## ANALYST CONTACTS

**Shamsher Dewan**

+91 124 4545 328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Deepak Jotwani**

+91 124 4545 870

[deepak.jotwani@icraindia.com](mailto:deepak.jotwani@icraindia.com)

**Charvi Sagar**

+91 124 4545 373

[charvi.sagar@icraindia.com](mailto:charvi.sagar@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.