

Amar Impex

Instrument	Amount	Rating Action
Total fund based limits*	Rs. 7.25 crore	[ICRA]BBB- 'Stable' /[ICRA]A3; Downgraded
Total non-fund based limits	Rs. 4.25 crore	[ICRA]A3; Downgraded

*rated on both long-term and short term scale

ICRA has revised downwards the long-term rating of [ICRA]BBB (pronounced ICRA triple B) to [ICRA]BBB- (pronounced ICRA triple B minus) and also the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) to [ICRA]A3 (pronounced ICRA A three) to Rs. 11.50 crore¹ bank facilities of Amar Impex². Outlook on long-term rating is 'Stable'.

The rating downgrade primarily takes into account moderate scale of operations along with fluctuating topline of the firm in-addition to the subsequent decline in profitability metrics as represented by decrease in OPM from ~10.53% in FY2014 to ~5.72% in FY2016; backed by increase in selling and administrative expenses, weak market demand and lower margin realization due to increase in competition within the industry. The ratings are also constrained by working capital intensive nature of operations as represented by NWC/OI of ~30% during FY2016 due to adverse credit terms customers and suppliers. ICRA also takes into considerations stiff competition within market with low entry barriers and thereby limiting pricing flexibility of the firm

However, the assigned ratings, positively take into account the strong experience of the promoters within the industry, a diversified product portfolio catering to multiple industries, wide and repeated customer and supplier base indicating established relationship with its customers and suppliers. ICRA further notes on comfortable capital structure supported by internal accruals and limited reliance on bank borrowings. ICRA also takes a note of established position of Amar Group of companies in various businesses, along with strong financial profile and limited reliance on external funding.

The revenue growth is expected to remain muted over the near term owing to weaker demand from international market particularly china which is the major contributor of firm's revenue and weaker realisations due to stiff competition within market. However, ICRA expects a moderate growth of around 5-10% in topline for next two-three years due to well established and diversified supplier-buyer network. Nevertheless, the firm's profitability levels are expected to remain moderate, given the limited value addition in the business. The capital structure is expected to remain comfortable due to limited usage of working capital facilities; however, the interest coverage indicators likely to remain moderate, given the moderate margins and high financing costs. ICRA takes a note of firm's profitability which remains vulnerable to currency risk in volatile forex market and also to considerable regulatory support in terms of government incentives on exports. Any adverse changes in the same may affect profitability of the firm. ICRA also takes a note on the partnership constitution of the firm wherein any significant capital withdrawal may lead to adverse capital structure; Partners capital were withdrawn by ~Rs 3.13 crore during FY2015 and upto ~Rs. 2.48 crore during FY2016. Going forward, the firm's ability to increase scale of operations in challenging market, along with improvement in profitability and maintaining its capital structure remains the key rating sensitivities.

Company Profile:

Amar Impex is one of the key entities within Amar Group; it was established in 1991 as a partnership firm to carry out trading of Dyes and chemicals. The firm exports various types of dye and benzene intermediates, printing gums, optical brighteners and various other chemical. It has a registered office located at Dadar, Mumbai. Mr. Bharat Chheda, Mrs. Jyoti Chheda, Mr. Vasant Vasaria and Mr. Dhaval Vasaria are equal partners of the firm.

¹ 1 crore = 10 million = 100 lakh

² For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



Amar Impex has four sister concerns namely Amar International which is engaged into exports of agro commodities, Color technology which is also engaged into trading of chemicals, Amar Industries which is engaged into exports of pens & pencils and Amar Exim which is engaged into trading of pens, agro commodities and chemicals.

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