

Amar International

Instrument	Amount	Rating Action
Total fund based limits*	Rs. 16.00 crore (Enhanced from Rs. 12.00 crore)	[ICRA]BBB- 'Stable' / [ICRA]A3; Downgraded
Total non-fund based limits	Rs. 0.50 crore	[ICRA]A3; Downgraded

*rated on both long term and short term scale

ICRA has revised downwards the long-term and short-term ratings of [ICRA]BBB (pronounced ICRA triple B) to [ICRA]BBB- (pronounced ICRA triple B minus) and short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) to [ICRA]A3 (pronounced ICRA A three) to Rs. 16.50 crore¹ bank facilities (enhanced from Rs. 12.50 crore) of Amar International². The outlook on long-term rating is 'Stable'.

The rating downgrade primarily takes into account the fluctuating topline of the firm in-addition to the significant decline in profitability metrics as represented by decline in OPM from ~3.85% in FY2013 to ~1.18% in FY2015; attributed to increase in selling and administrative expenses and lower margin realization due to the increase in competition within the industry. The ratings are also constrained by the working capital intensive nature of operations due to sluggishness in receivables since last three years. Working capital intensity as represented NWC/OI increased from ~15% in FY2014 to ~27% in FY2016 due to adverse credit terms with customers which lead to increase in receivables. Increase in receivables in-turn led to higher reliance on external funding and thereby increase in debt levels of the firm. Total debt of the firm increased from ~Rs. 10.17 crore as on 31st March 2014 to ~Rs. 20.61 crore as on 31st March 2016 backed by higher utilization of bill discounting and lead to deterioration in capital structure of the firm. Gearing level increased from ~0.76 times as on 31st March 2014 to ~1.20 times as on 31st March 2016. Further, the ratings also factors in the company's high dependence on government incentives to support operations exposing it to regulatory risks. ICRA also takes a note of the firm's operations which remain susceptible to the agro-climatic conditions in domestic as well as international markets, thus impacting the demand and supply of agricultural commodities.

However, the assigned ratings, positively take into account the strong experience of the promoters within the industry and the diversified product portfolio of Amar International. ICRA also considers the established position of Amar Group of companies in various businesses, along with a strong financial profile and limited reliance on external funding.

Operations of the firm are highly dependent on climatic conditions and monsoons in the domestic as well as the international market. However, the Indian Meteorological Department has predicted an above average seasonal rainfall during FY2017, indicating better prospects for agricultural production and trading activities. In addition, Vietnam recently lifted the ban imposed on the import of Indian groundnuts and Saudi Arabia lifted the temporary ban imposed on import of the Chillies from India. Due to a better monsoon forecast and positive development for exports of agro commodities to international markets, we expect firm's topline to improve moderately by around 10% for the next two years. Nevertheless, the firm's profitability levels are expected to remain low, given the trading nature with limited value addition in the business. The capital structure is expected to remain comfortable due to the limited usage of working capital facilities; however, the interest coverage indicators are likely to remain moderate, given the weak margins and the high financing costs. ICRA also takes note of firm's profitability which remains vulnerable to currency risk in the volatile forex market and also to considerable regulatory support in terms of government incentives on exports. Any adverse changes in the same may affect operations of the firm. ICRA also takes note of the partnership constitution of the firm wherein any significant capital withdrawal may lead an adverse capital structure, Partners capital were withdrawn by ~Rs 0.77 crore during FY2013 and ~Rs. 0.65 crore during FY2016. Going forward, the firm's ability to increase its scale of operations in a challenging market, along with the improvement in profitability and maintaining its capital structure remain the key rating sensitivities.

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

**Company Profile:**

Amar International is one of the key entities within the Amar Group; it was incorporated in 1981 by Mr. Vasant Vasaria to carry out agricultural commodity trading. The firm trades in different type of agro commodities, namely spices, oil seeds, bird feed, cumin seeds, sesame seeds, cassia seeds, chick peas and chilly. The firm is also trades in cotton yarn since FY2015. It has a registered and marketing office in Mumbai and a rented warehouse in Navi Mumbai. Mr. Vasant Vasaria, Mr. Dhaval Vasaria and Mr. Vivek Vasaria are equal partners of the firm.

Amar International has four sister concerns namely Amar Impex which is engaged into exports of dyes and chemicals, 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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