



Rating Rationale

A M Exports

30 Aug 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 17.70 Crores of A M Exports.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2019)	Present
Fund based	17.70	17.70	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total	17.70	17.70	INR Seventeen Crore Seventy Lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm’s audited financial results of FY17, FY18, FY19, and projections of FY20 & FY21, publicly available information and clarification/information provided by the firm.

The rating reaffirmation factors in extensive experience of partners, moderate coverage indicators, adequate financial risk profile and moderate scale of operations. The rating is however constrained by intense competition, customers & supplier concentration risk, modest profitability indicators and working capital intensive nature.

Going forward, the firm’s ability to diversify its suppliers and customer base, improve profitability, scale up its operations, and efficient working capital management will be key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of partners:** A M Exports is managed by Mr. Mihir Kothari & Mr. Aashay Kothari who are placed as partners in the firm. They have an extensive combined experience and established track records of 3 decades in the industry.
- **Moderate coverage indicators:** Coverage ratios have improved backed by reduced debt. ISCR has moved to 2.63x in FY19 vs 2.07x in FY18. DSCR is recorded at 1.38x in FY19 as compared to 1.25x as at FY18.
- **Financial Risk Profile:** The firm has an adequate financial risk profile marked by low debt levels and absence of term loans. TNW has increased to Rs. 7.80 Cr in FY19 against Rs. 7.18 Cr in FY18. Liquidity stood at adequate levels with Current Ratio at 1.59x. The capital structure has improved significantly with gearing of 1.08x in FY19 vis-a-vis 1.95x as on FY18.
- **Scale of Operations:** Scale of operations are at moderate levels with sales standing at Rs. 67.67 Cr in FY19 against Rs. 68.19 Cr in FY18.

Credit Risks:

- **Intense Competition:** The industry is fragmented, with low value addition and intense competition from unorganised players as well as large integrated manufacturers. However, by being in the industry for more than 25 years, the firm has developed healthy long term relationships with suppliers and customers.
- **Customer & Supplier Concentration Risk:** The firm is exposed to concentration risk with sales to top 5 customers at 85% of total sales indicating that the firm is reliant on a small cluster of large customers. Supplier Concentration Risk also exists as more than 80% of purchases come from top 5 suppliers. However, healthy long term relationships mitigate the risk to a certain extent.
- **Modest Profitability Indicators:** Profitability of the firm is vulnerable to price movements in rough & Cut and polished diamonds. This can put pressure on thin profit margins of the firm. NPM & OPM in FY19 were 0.93% & 2.23% respectively.
- **Working Capital Intensive:** Stretched Working Capital, an inherent feature in the industry, evident from GCA of 36.75%. Working Capital intensity remained high due to slow receivables and high inventory holding.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



Liquidity Profile: Liquidity Profile of the firm is marked by Net Cash Accruals of Rs. 0.60 Crore. Cash & Cash Equivalents stood at Rs. 1.68 Crore. The firm's bank limits utilisation is well within the sanctioned limits with average utilization of ~50%. Liquidity Profile is supported by Current Ratio of 1.59x and absence of external long term debt.

Rating Outlook: *Stable*

BWR believes the **A M Exports** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Established in 1993, A.M. Exports is a partnership concern managed by partners Mr. Mihir Kothari and Mr. Aashay Kothari. The firm is engaged in trading and manufacturing of small sized diamonds. Besides its domestic operations, the firm also imports Rough Diamonds majorly from U.A.E and Belgium and exports Cut & Polished Diamonds to Bangkok, Belgium, Hong Kong, U.S.A, Dubai.

Company Financial Performance

During FY19 A M Exports reported net sales of Rs. 67.67 Crore with PAT of Rs. 0.63 Crore as against net sales of Rs. 68.12 Crore and PAT of Rs. 0.69 Crore in FY18. As on FY19, Tangible Net Worth stood at Rs. 7.80 Crore as against Rs. 7.18 Crore in FY18.

Rating History for the last three years

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	7 February 2019	7 August 2018	25 January 2017
Fund Based						
Packing Credit/PCFC	Short Term	6.00	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus)	Rating not Reviewed	BWR A4+ (Pronounced as BWR A Four Plus)
Sub limit: Clean PC		(1.20)				
FBP/UFBP/FCBP/FCBD cum PSDL		9.95	Reaffirmed			

(150 days DA)						
Sub Limit: Direct Bills 50% of PSC Limit		(4.975)				
Standby Limit (Under Gold Card)		1.75				
Total		17.70	₹ Seventeen Crore Seventy Lakh Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	67.79	69.43
EBITDA	₹ Cr	1.51	1.85
PAT	₹ Cr	0.63	0.69
Tangible Net worth	₹ Cr	7.80	7.18
Total Debt/Tangible Net worth	Times	1.08	1.95
Current Ratio	Times	1.59	1.35

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)



Analytical Contacts	Media
<i>Sushil Kumar Chitkara</i> <i>Associate Director - Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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