



Rating Rationale

AMI Enterprises

20 Aug 2019

Brickwork Ratings downgrades the Long Term Rating to BWR B+(Outlook:Stable) and reaffirms the Short term rating at BWR A4 (outlook:Stable) for Bank Facilities of Rs.12.50 Crs of AMI Enterprises ('AMIE' or 'the Firm')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Mar 2018)	Present (Aug 2019)
Fund based Cash Credit	12.50	1.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Downgraded
Fund Based FDBP/FUDBP	(8.50)	(1.00)**	Short Term	BWR A4 (Pronounced as BWR A Four Plus)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Packing Credit	(2.00)	(1.00)**			
Non-Fund Based Import Letter of Credit	(10.00)	11.50			
LC/Buyer's Credit	(10.00)	(9.00)**			
Total	12.50	12.50	INR Twelve Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows the detailed facilities

**Sub-limit

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Firm upto FY18, provisional financial results for FY19, Projections upto FY21, publicly available information and information/clarifications provided by the management.

20 Aug 2019



The rating downgrade is on account of deterioration in debt coverage indicators. The rating continues to draw strength from the partner's experience in the industry and adequate liquidity position. However, the rating remains constrained by below average financial risk profile, customer concentration risk, working capital intensive, presence in a highly competitive industry and partnership nature of constitution.

Going forward the ability of the Firm to increase its scale of operation, improve its overall financial risk profile and efficiently manage its working capital would be the key rating sensitivities.

Key Rating drivers

Credit strengths:

- **Experienced partners and adequate liquidity position**

The partners of AMIE, Mr. Mithun Shah and Mr. Tejas Mhatre have a decade's experience in a similar line of business. The Firm had adequate liquidity as on March 31, 2019 (prov.) as its current ratio stood at 1.49x and it has a cash balance of Rs.1.87 Crs.

Credit Weaknesses

- **Below average financial risk profile**

The scale of AMIE's business operation remained small in FY19 (prov.) as it achieved TOI of Rs.38.79 Crs and PAT of Rs.0.13 Crs as against TOI of Rs.36.78 Crs and PAT of Rs.0.12 Crs in FY18. The Partner's capital remained low at Rs.4.43 Crs as on March 31, 2019 as compared to Rs.4.29 Crs in FY18. Owing to this, the total gearing of the Firm stood high at 2.02x as on March 31, 2019 (prov.) as against 1.96x as on March 31, 2018. Operating profit margin of the Firm remained very thin at 1.82% for FY19 (prov.) as against 1.87x and 2.64x for FY18 & FY17 respectively. Consequently, ISCR of the Firm has also remained low at 1.21x for FY19(prov.) as compared to 0.93x for FY18 and 2.80x for FY17.

- **Customer concentration risk**

In FY19, top 5 customers of the Firm contributed to more than 98% revenue. In the event of loss of any of its customers the top line of the Firm can be affected significantly.

- **Working capital intensive and presence in a highly competitive industry**

The business operations of AMIE are working capital intensive as its receivable days as on March 31, 2019 (prov.) have stood high at 205 days as against 239 days as on March 31, 2018 and 179 days as on March 31, 2017. The Firm faces stiff competition from several other organised and unorganised players in the market which exerts pressure on its profitability.

- **Partnership nature of constitution**

AMIE is a partnership firm which exposes it to a risk of capital withdrawal by its partners in the event of personal contingency.



Liquidity Profile:

As on March 31, 2019 (prov.), the liquidity position of the Company is adequate as its current ratio stood at 1.49x and it had a cash balance of Rs.1.87 Crs.

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)

Rating Outlook: Stable

BWR believes AMIE's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Firm background

AMI Enterprises is a partnership firm established on 20th March 2014. Mr. Mithun Shah and Mr. Tejas Mhatre are the partners of the firm having experience in the line of wholesale trading. AMI Enterprises deals in the wholesale business of Watches, Fashion Accessories, Food Products and Building Material. AMIE import above products from International market and sell it to them in India and Middle East Market. AMIE market their product directly to the Retailers. Normally the goods are sold on 3 months credit. AMIE also market their product through online portal like Flipkart, Snapdeal, Amazon etc.

Financial Performance

In FY18, the Firm reported TOI of Rs.36.78 Crs and PAT of Rs.0.12 Crs as against TOI of Rs.35.23 Crs and PAT of Rs.0.42 Crs in FY17. In FY19, on a provisional basis, the Firm has achieved TOI of Rs.38.79 Crs and PAT of Rs.0.13 Crs.



Rating History for the last three years:

Sl. No.	Facility	Current Rating (Aug 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Mar 2018	June 2016	2015
1	Fund based Cash Credit	Long Term	1.00	BWR B+ (Pronounced as BWR Single B Plus) (Outlook:Stable) Downgraded	BWR BB- (Pronounced as BWR Double B Minus) (Outlook:Stable) Reaffirmed	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable Assigned	-
2	Fund Based FDBP/FUDBP Packing Credit	Short Term	(1.00)* (1.00)*	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four) Assigned	-
3	Non-Fund Based Import Letter of Credit LC/Buyer's Credit	Short Term	11.50 (9.00)*				
			12.50	INR Twelve Crores and Fifty Lakhs Only			

*Sub-limit of Import Letter of Credit

Status of Non cooperation with other CRA : Nil

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [Trading Entities](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)



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Annexure I

Details of Rated Bank Facilities

Bank	Name of Facility	Nature of Facility	Rated Amount (Rs.in Cr.)
Union Bank of India	Cash Credit	Fund Based-Long Term	1.00
	FDBP/FUDBP	Fund Based-Short Term	(1.00)
	Packing Credit		(1.00)
	Import Letter of Credit	Non Fund Based-Short Term	11.50
	LC/Buyer's Credit		(9.00)
		Total	12.50

*Sub-limit of Import Letter of Credit

Annexure II

Key Financial Indicators

	31.3.2018	31.3.2017
	Audited	Audited
Total Operating Income (Rs. Cr)	36.78	35.23
EBITDA (Rs. Cr)	0.69	0.93
PAT (Rs. Cr)	0.12	0.42
Partner's Capital (PC) (Rs. Cr)	4.29	4.18
Total Debt:PC (Times)	1.96	2.01
Current Ratio (Times)	1.37	1.34



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.

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