



Rating Rationale

Amar Singh & Sons

20 Dec 2018

Brickwork Ratings assigns the rating for the Bank Loan Facilities amounting to Rs 23.00 Crores of Amar Singh & Sons

Particulars:

Facility (Fund Based)	Amount Rated (Rs. in Crs)	Tenure	Rating*
Cash Credit	3.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Packing Credit Limit/PCFC	8.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
Post Shipment Limit/PSCFC	12.00		
Total	23.00 (INR Twenty Three Crores Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of Amar Singh & Sons(ASS) up to FY17, Provisional Financials of FY18, publicly available information and information/clarifications provided by the firm.

The rating draws strength from more than three decades of experience of the partners in the same line of business, comfortable financial risk profile indicated by moderate gearing ,strong debt protection metrics, comfortable profitability margins and moderate net worth. However, the rating is constrained by partnership constitution of the firm, exposing it to the risks of capital withdrawal, dissolution etc. and high volatility in revenues because of sensitivity to the climatic conditions & vulnerability to intermittent civil disturbances in J & K resulting in frequent shutdowns in the state.

20 Dec 2018



Going forward, ability of the firm to maintain stability in its revenues and other key financial metrics such as gearing, debt coverage and profitability margins will remain the key rating sensitivities.

Key Rating Drivers:

Strengths:

- **Comfortable financial risk profile:** The firm's gearing stood at a moderate level of 1.35 times in FY17. Its ISCR & DSCR stood comfortable at 6.54 times & 2.23 times respectively in FY17. The cash conversion cycle remained moderate at 79 days. Net profitability margins are also moderate, varying from around 3% to 5% for last three years.
- **Long experience of the partners in the business:** The partners in the business are experienced and have established strong business connections with the importers of countries such as Germany, U.K, Spain, Norway, Sweden etc. ASS gets repeat orders from its clients, however the export depends heavily on the crop output & civil conditions in the state.

Weakness:

- **High volatility to crop output, civil conditions in J&K:** Firm's revenues dipped to Rs 23.73 crores in FY17, registering a decline of 62% from previous years figure (Rs 62.56 Crs). However, it is expected to peak again to Rs 74.83 Crs in FY18 (Prov.). Such volatility restricts revenue visibility of the firm in the medium term.
- **Partnership constitution:** ASS being a partnership concern, is exposed to risk related to capital withdrawal & dissolution of partnership. Its constitution further restricts the financial flexibility in terms of limited access to external funding.

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).



Support from Group Company:

ASS is not a part of any group.

Liquidity:

As per Provisional Balance Sheet (FY18), the firm had cash balance of Rs 0.63 Crs with banks, Rs 4.33 Crs as other current assets which primarily include the MEIS(Merchandise Exports from India Scheme), GST & VAT receivables, Rs 12.67 Crs receivables from customers & Rs 2.88 Crs of inventory. Total current assets were Rs 22.81 Crs against the current liabilities of Rs 20.31 Crs, resulting in the current ratio of 1.12 times. The GCA days in FY18 were 198 whereas the DSCR & ISCR stood at 5.12 times & 2.0 times in FY18.

Rating Outlook: *Stable*

BWR believes that the business risk profile of Amar Singh & Sons 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, profit and Net worth base show sustained growth. The rating outlook may be revised to 'Negative' if any of these show a steep decrease.

About the Firm :

Amar Singh & Sons is a partnership firm incorporated on 16th october 2012. The firm has three partners who are brothers (Ranbir Singh, Kawalbir Singh & Rajbir Singh) and they share equal portion of the profits & loss. The firm is engaged in the business of export of walnuts & walnut kernels. The partners have an experience of almost 30 years in this business under the guidance of their father Amar Singh who set up this business long back in 1961.

Financial Performance:

The firm has achieved total operating income of Rs 23.73 Crores in FY17 as against Rs. 62.56 Crores in FY16. PAT stood at Rs 0.73 Crores in FY17 as compared Rs 2.62 Crores in FY16. On provisional basis, the firm has booked total operating income of Rs 74.83 Crores in FY18 with a PAT of Rs 3.62 Crores.

Parameters		FY 2017(A)	FY 2016(A)
Total Operating Income	Rs in Cr	23.73	62.56
OPBDIT	Rs in Cr	1.44	3.41

PAT	Rs in Cr	0.73	2.62
Tangible Net Worth	Rs in Cr	5.21	6.20
Total Debt/TNW	Times	1.35	0.67

Rating History for the last three years:

Rating in 2018				Rating History		
Facility	Amount Rated (Rs. in Crs)	Tenure	Rating	2017	2016	2015
Cash Credit	3.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA	NA
Packing Credit Limit/PCFC	8.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)			
Post Shipment Limit/PSCFC	12.00					
Total	23.00 (INR Twenty Three Crores Only)					

Status of non-cooperation with previous CRA : NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)



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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

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