



## RATING RATIONALE

14 Oct 2019

Ami Riddhi Chem Pvt Limited

**Brickwork Ratings reaffirmed the long term & short term rating for the Bank Loan Facilities of Rs.12.58 Crores of Ami Riddhi Chem Pvt Limited**

### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2018)	Present
Fund based: CC	12.50	12.50	Long Term	<b>BWR BB-</b> (Outlook: Stable)	<b>BWR BB-</b> (Outlook: Stable) <b>Reaffirmation</b>
Non Fund Based: LC (Sub Limit of CC)	(1.50)	(1.50)	Short Term	<b>BWR A4</b>	<b>BWR A4</b> <b>Reaffirmation</b>
Buyer's credit (sub limit of CC)	(1.50)	(1.50)			
BG (Sub limit of CC)	(0.50)	(0.50)			
Forward contract	0.08	0.08			
<b>Total</b>	<b>12.58</b>	<b>12.58</b>	<b>Rupees Twelve Crores Fifty Eight Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

### RATING ACTION / OUTLOOK

The rating of Ami Riddhi Chem Private Limited ('ARCPL' or 'the company') has been reaffirmed at BWR BB-/A4 on account of extensive experience of the promoters in the chemical industry, established relations with the customers and suppliers, modest but increasing scale of operations, adequate liquidity profile. The ratings have also factored in the low level of owned funds, stretched gearing, weak debt protection metrics, weak profitability and slightly stressed working capital.

The ratings have been assigned a stable outlook on account of the robust demand in the chemical industry driven by large population base coupled with string export demand. BWR believes that Ami Riddhi Chem Private Limited business risk profile will be maintained over the medium term.



## KEY RATING DRIVERS

### Credit Strengths:

**Experienced management:** The promoters Vijay Sheth & Bhavana Sheth have an experience of more than a decade in the chemical industry.

**Established relations with customers and suppliers:** ARCPL has a long standing relationship with their customers and suppliers of over ten years.

**Modest but increasing scale of operations:** Modest but increasing scale of operations with the TOI increasing to Rs Rs 87.06 Cr in FY19 as compared to Rs 85.75 Cr in FY18.

**Adequate liquidity profile:** Adequate liquidity profile with the current ratio standing at 1.48x in FY19 as compared to 1.44x in FY18.

### Credit Risks

**Low level of owned funds:** Low Level of owned funds with the TNW standing at Rs 5.70 Cr in FY19 as compared to Rs 5.0 Cr in FY18, whereas the TNW analysed stands at Rs 9.78 Cr in FY19.

**Stretched gearing:** The gearing is stretched with the total debt/ TNW & TOL/TNW standing at 3.63x and 3.76x respectively in FY19 as compared to 3.10x and 3.51x in FY18. The analysed figures stand at 1.70x in FY19 as compared to 1.91x in FY18.

**Weak profitability margins:** Weak profitability with the NPM and OPM standing at 0.34% and 2.85% respectively in FY19 as compared to 0.27% and 1.57% in FY18.

**Weak debt protection metrics:** Weak debt protection metrics with the ISCR and DSCR standing at 1.12x and 0.91x respectively in FY19 as compared to 0.79x and 0.78x in FY18.

**Slightly stressed working capital:** Slightly stressed working capital cycle of 92 days driven by high receivables of 107 days.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Ami Riddhi Chem Pvt Ltd. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

**Positive:** The rating will be upgraded if the company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities, and sustained improvement working capital management.

**Negative:** The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

**LIQUIDITY POSITION: ADEQUATE**

The cash and cash equivalents of ARCPL stand at Rs 0.02 Cr in FY19. The company has no long term debt obligations. The current ratio of the company stands at 1.48x in FY19. The average CC utilization for the last 6 months stands at ~90-95%.

**COMPANY PROFILE**

Ami Riddhi Chem Pvt Ltd was incorporated under the companies act on 19<sup>th</sup> December, 2007 with Mr.Vijay Sheth and Mrs. Bhavana Sheth as directors. The company is importer and dealers in pharmaceutical raw materials, fine chemicals, chemical solvents and intermediates. The company is link between chemical manufacturers and chemical users. Ami Riddhi has made tie ups with leading international reputed companies in USA, UK, Russia, Europe, Taiwan, Hong Kong, Japan, Saudi Arabia, Korea and China for importing the pharma raw material and chemicals. The different products are offered by the company are Ethylhexyl Acrylate, Hydroxy Benzaldehyde, Acetic Acid (Glacial), Acetone, Acetonitrile, Acrylamide, etc, which finds application in Pharma industry, Paint, rubber and Ink industry.

**KEY FINANCIAL INDICATORS**

Key Financial Indicators	Unit	FY19 Audited	FY18 Audited
Total Operating Income	(in ₹ Cr)	87.06	85.75
EBITDA	(in ₹ Cr)	2.49	1.35
PAT	(in ₹ Cr)	0.30	0.23
Tangible Net Worth	(in ₹ Cr)	5.70	5.40
Total debt/ TNW	Times	3.63	3.10
Current ratio	Times	1.48	1.44

**KEY COVENANTS OF THE FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

## RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	Sep 2019	Sep 2018	July, 2017
Fund based: CC	Long Term	12.50	<b>BWR BB- (Outlook: Stable) (Reaffirmed)</b>	Rating not Reviewed	<b>BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable) Reaffirmed</b>	<b>BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable)</b>
Non Fund Based: LC (Sub Limit of CC) Buyer's credit (sub limit of CC) BG (Sub limit of CC) Forward contract	Short Term	(1.50)  (1.50) (0.50)  0.08	<b>BWR A4 (Reaffirmed)</b>		<b>BWR A4 (Pronounced as BWR A Four) Reaffirmed</b>	<b>BWR A4 (Pronounced as BWR A Four)</b>
<b>Total</b>		<b>12.58</b>	<b>Rupees Twelve Crores Fifty Eight Lakhs Only</b>			

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)

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### ANNEXURE I

#### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank Of Baroda	CC	12.50	-	12.50
		LC (Sub limit)	-	(1.50)	(1.50)
		Buyer's credit (Sub limit)	-	(1.50)	(1.50)
		BG (sub limit)	-	(0.50)	(0.50)
		Forward Contract	-	0.08	0.08
<b>TOTAL</b>					12.58



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