



RATING RATIONALE

13 April 2020

IA MULTIVENTURES PRIVATE LIMITED

Brickwork Ratings Reaffirmed long term ratings and Short Term Ratings for the bank loan Facilities of ₹ 44.00 Crores of IA Multiventures Private Limited (IMPL).

Particulars

Facility/ Instrument**	Previous Amount(₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (September, 2018)	Rating*
Fund based Cash Credit Limit	16.68	35.00	Long Term	BWR BB- Stable	BWR BB- Stable Reaffirmed
Non Fund Based Bank Guarantee	8.32	9.00	Short Term	BWR A4	BWR A4 Reaffirmed
Total	25.00	44.00	INR Forty Four Crores Only		

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

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

RATING ACTION/OUTLOOK

BWR has Reaffirmed the long term rating of BWR BB- Stable for Long term bank facilities and short term bank facilities of BWR A4.

The ratings take into consideration the extensive experience of promoters in the trading business for more than 30 years, moderate debt service indicators and diversified product profile. The ratings are however constrained by high gearing level, along with low profitability margins & current ratio and decline in revenues.

BWR believes that the business risk profile of IMPL will be maintained over the medium term. The rating outlook may be revised to positive if there is a significant improvement in company gearing level, profitability margins, along with their current ratio. The rating outlook may be revised to 'Negative' if there is any deterioration in the revenues of the company, deterioration in gearing level due to high debt and further decline in their current ratio level..



KEY RATING DRIVERS

Credit Strengths:

1. **Experienced Promoters & Long track record of business:** The promoters of the company are into the trading business for the last 30 years. The company has a long track record of more than 30 years that helps to maintain a better relationship with their customers and suppliers. The company is engaged as a super stockist of Samsung, Procter & Gamble, and other various agencies.
2. **Moderate debt service indicators :** The company has moderate debt service indicators with interest service coverage ratio of 1.99 times and debt service indicators of 1.49 times in FY19 (Audited). However it has declined as compared to previous year due to an increase in their interest expenses.
3. **Diversified product profile :** The company has diversified product profiles as they are engaged as super stockists of Samsung Mobiles, Procter & Gamble, and Godrej Consumer Products that helps them to improve their revenue profile.

Credit Risks:

1. **Low current ratio along with low profitability margins and high gearing level :** The company has low current ratio of 0.80 times due to increase in their short term borrowings. The company has low net profitability margins of 0.37% in FY19 (Audited) due to increase in interest expenses which has declined as compared to previous year. The gearing level TD/TNW of 4.10 times in FY19 (Audited) has increased as compared to previous year.
2. **Decline in Revenues :** The company revenues has declined from Rs 463.87 Crores in FY18 to Rs 460.07 Crores in FY19 (Audited) due to vulnerability in company's operation due to intermittent civil disturbances in Jammu and Kashmir region. The company has achieved revenues of Rs 300 crores till February, 2020 and projected to



achieve revenues of Rs 400 Crores in FY20.

Analytical Approach and Applicable Rating Criteria

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

RATING SENSITIVITIES

Going forward, improvement in gearing level, profitability Margins & improvement in current ratio will be the key rating sensitivities.

Positive : The rating will be upgraded if the company is able to make significant improvement in their revenues, profitability margins, and able to improve their gearing level and current ratio.

Negative : The rating will be downgraded if there is any deterioration in the financial Risk Profile of the Company including revenue.

LIQUIDITY POSITION : Stretched

The company has no associate concerns or subsidiary concerns.

The company has cash & bank balances of Rs 0.02 Cr in FY19 (Audited). Current ratio was 0.80 times in FY19 (Audited). Average working capital utilization for the last Six months period is 83% of limits. The company has Long Term Borrowings consisting of unsecured loans from directors of Rs 3.08 crores, and vehicle loan from Jammu and Kashmir Bank of Rs 0.83 crores in FY19 (Audited). The company has a conversion cycle of 23 days in FY19. The company ISCR at 1.99 times and Debt Service Coverage Ratio of 1.49 times as on March 31, 2019 (Audited).

About the Company

I.A Multiventures Private Limited incorporated on 08.04.2015 . The company is engaged in as a super Stockist of samsung mobiles, procter & gamble and other various agencies. The company is based in Hyderabad, Srinagar. The company distribution spread all over Srinagar and Leh, and managed by three directors Mr Irjan Ahmed Gujju, Mr Arshad Ahmad Gujju and Mr Ali Mohammad Gujju who has experience of more than 20 Years in the same line of business.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
Result Type			
Operating Revenue	₹ Cr	460.06	463.87

EBITDA	₹ Cr	5.68	4.88
PAT	₹ Cr	1.71	2.10
Tangible Net worth	₹ Cr	10.70	9.00
TD:TNW	Times	4.10	3.79
Current Ratio	Times	0.80	1.22

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

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

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2019	2018	2017
1.	Fund Based Cash Credit Limit	Long Term	35.00	BWR BB- Stable Reaffirmed	NA	BWR BB- Stable	NA
2.	Non Fund Based Bank Guarantee	Short Term	9.00	BWR A4 Reaffirmed	NA	BWR A4	NA
Total			44.00	Forty Four Crores ₹ Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

Trading Entities

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IA Multi Ventures Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	Jammu and Kashmir Bank	<u>Fund Based</u> Cash Credit Limit	35.00	35.00
2.	Jammu and Kashmir Bank	<u>Non Fund Based</u> Bank Guarantee	Short Term (₹ Cr) 9.00	9.00
TOTAL : INR Forty Four Crores Only				44.00



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