

Press Release

Amam Marketing

July 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.6.50 crore bank facilities of Amam Marketing. The outlook is '**Stable**'.

Established in 2008, Amam Marketing (AM) is an Ahmadabad-based partnership firm engaged in trading of construction materials such as cement, steel (TMT Bars), ready mix concrete (RMC), motor and chemical for cement. AM is an exclusive sales promoter of J. K. Laxmi Cements.

Key Rating Drivers

Strengths

- **Experienced management**

AM was established in 2008 by Mr. Kamlesh M. Shah and Mr. Umesh K. Shah both having experience in this industry for nearly 33 years.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs.12.27 crore as on 31 March, 2018 (Provisional). The net worth includes unsecured loans of Rs.7.50 crore as on 31 March, 2018 from promoters which are subordinated to bank debt. Hence, Acuite has treated them as quasi equity. The gearing (debt-equity) stood moderate at 1.47 times as on 31 March, 2018 (Provisional) as compared to 1.50 times as on 31 March, 2017. The total debt outstanding as on 31 March, 2018 (Provisional) stood at Rs.17.97 crore which comprising of short term borrowing from the bank of Rs.7.67 crore, term loan of Rs.4.07 crore and unsecured loans of Rs.6.23 crore. Interest Coverage Ratio stood at 1.18 times in FY2018 (Provisional) as compared to 1.16 times in FY2017. Acuite believes that the financial risk profile will remain moderate in the absence of debt funded capital expenditure and steady net cash accruals.

Weaknesses

- **Working capital intensive operations**

The firm has intensive working capital cycle marked by Gross Current Asset days of 266 in FY2018 (Provisional) as compared to 466 days in FY2017. This is on account of high debtor days of 216 days in FY2018 (Provisional) as compared to 273 days in FY2017.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Amam Marketing to arrive at the rating.

Outlook: Stable

Acuite believes that AM will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of deterioration in financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	44.81	23.52	45.00
EBITDA	Rs. Cr.	3.79	1.70	2.55
PAT	Rs. Cr.	0.58	0.37	0.53
EBITDA Margin	(%)	8.45	7.23	5.66
PAT Margin	(%)	1.31	1.56	1.17
ROCE	(%)	12.82	9.72	11.83
Total Debt/Tangible Net Worth	Times	1.47	1.50	1.69
PBDIT/Interest	Times	1.18	1.16	1.20
Total Debt/PBDIT	Times	4.74	6.19	5.40
Gross Current Assets (Days)	Days	266	466	261

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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