

Press Release

Amrut Exports

August 19, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 150.00 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 150.00 crore-bank facilities of Amrut Exports (AE). The outlook is '**Stable**'.

Rationale for rating reaffirmed

The rating reaffirmation reflects moderate financial risk profile marked by moderate net worth, moderate gearing and debt protection metric. Also the rating factors in comfort derived by experienced management spanning over two decades, established track record of operations and adequate liquidity position. On the contrary, the rating is constrained by AE's restricted operational performance and intensive nature of working capital operations.

About the company

Mumbai based, Amrut Exports was established in 1993 as a proprietary concern by Mr Rajivbhai B Dhameliya. In 2017, AE was converted into a partnership firm with current partners Mr Rajivbhai B Dhameliya, Mrs Shardaben R Dhameliya, Mr Shailesh R Dhameliya and Mr Vrajesh R Dhameliya. The firm is engaged in processing of rough diamonds and sale of polished diamonds of less than 1 carat. It has its processing unit at Surat (Gujarat). ~ 30 per cent of the revenues of the firm are derived from exports to countries such as Hong Kong, USA and Thailand.

Analytical Approach

For arriving at the rating, Acuite has taken the standalone view on the business and financial risk profile of Amrut Exports.

Key Rating Drivers

Strengths

- Experienced partners**

Amrut Exports was established by Mr. Ravjibhai Becharbhai Dhameliya in 1993. He has around 40 years of experience in the cut and polished diamonds business. In 2007, the proprietary concern was converted into a partnership firm. The firm is supported by family members in the business. Mr Kirit D Dhameliya and Mr Mukesh B Dhameliya is involved in rough procurement, where as Mr Sandip D Dhameliya and Mr Shailesh M Dhameliya are involved in the financial and marketing functions. Mr Shailesh R Dhameliya look after the manufacturing functions at Surat Factory.

- Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, gearing levels and above average debt protection metrics and coverage indicators.

The net worth of the company is moderate at Rs. 112.70 crore as on March 31, 2021 (Prov.) as against Rs. 106.33 crore as on March 31, 2020. The net worth levels have seen improvement from FY2019 to FY2021 on account of higher ploughing back of profits in form of retained earnings.

The company has followed a moderately aggressive financial policy in the past and is continuing with the same policy as reflected through its gearing of 1.25 times as on 31st March 2021 as against 1.11 as on 31st March 2020 and total outside liabilities to tangible net worth (TOL/TNW) levels of 2.58 times as on March 31, 2021 (Prov.).

Gearing in FY2021 stood high as the company availed GECL loan of Rs. 23.77 Cr. The Total debt of Rs. 141.22 crore in FY21 contains Rs. 23.77 crore of GECL loan and Rs. 116.76 crore of short term borrowings

The company has registered moderation in the debt coverage indicators as evident by fall in debt-service-coverage-ratio and interest coverage ratio of 1.70 times as on 31st March, 2021 as against 1.97 times as on 31st March, 2020.

Acuité believes that the financial risk profile of the company will continue to remain healthy on account of healthy net worth and debt protection metrics.

Weaknesses

• Deteriorated and Intensive working capital operations

Deteriorated and Intensive working capital requirements as evident from gross current assets (GCA) of 374 days for FY2021 (Prov.) as against 286 days for FY2020. The deterioration is majorly on account of change in debtors' days of 175 days as on 31 March 2021 as against 120 days in previous year Further, inventory days stood high at 157 days as on 31 March 2021 as against 148 days in the previous year. Current Ratio stood at 1.49 times as on 31 March 2021 (Prov.).

Rating Sensitivity

- Sustained growth in operating performance
- Slowdown in industry leading to inventory pile up.

Liquidity position: Adequate

Amrut Exports has adequate liquidity marked by current ratio of 1.49 times as on March 31, 2021 (Prov.) and 1.35 times as on March 31, 2020. Net cash accruals stood at 7.28 crore in FY2021 as against 10.24 crore in FY2020. The operations are intensively working capital intensive marked by GCA days of 374 in FY2021 (Prov.). The average bank limit utilization stood at ~73% for twelve months ended July 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals as against no repayments over the medium term

Outlook: Stable

Acuité believes that Amrut Exports will maintain a 'Stable' outlook over the medium term on the back of partners' extensive experience in the industry and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	379.56	488.53
PAT	Rs. Cr.	6.25	9.09
PAT Margin	(%)	1.65	1.86
Total Debt/Tangible Net Worth	Times	1.25	1.11
PBDIT/Interest	Times	1.70	1.97

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

None

Material Covenant

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
30-Mar-2020	Bill Discounting	Long term	150.00	ACUITE BB /Stable (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
IndusInd Bank	Bill Discounting	Not Available	Not Available	Not Available	150.00	ACUITE BB /Stable (Reaffirmed)

Analytical	Rating Desk
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About Acuité Ratings & Research:

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