

Press Release
A MTRA DE
March 08, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	28.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	38.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BB**' (read as **ACUITE double B**) and short-term rating of '**ACUITÉ A4+**' (read as **ACUITE A four plus**) on the Rs. 38.00 Cr. bank facilities of Amtrade. The outlook is 'Stable'.

Rationale for rating

The rating assigned reflects the established track record of operations and experience of the partners in the industry and adequate liquidity position of the firm. It also reflects the improvement in the operating income, with revenue stood at Rs 196.33 Cr in FY23 as against Rs 121.71 Cr in FY22. However, the rating is constrained by the below average financial risk profile and intensive nature of working capital operations.

About the Company

Established in 1999 as a partnership concern by Mr. Rajesh Madhavan, Mr. Gokuldas Madhavan and Mr. Suresh Madhavan in Mumbai. Amtrade trades in textiles, fertilizers and agrochemicals, metals and minerals, construction materials, polymers, spices, agricultural products, petroleum products etc.

In 2009, Amtrade strategically expanded its business portfolio by acquiring the franchise from Aptech Ltd for the Maya Academy of Advanced Creativity (MAAC). Currently, Amtrade oversees the operations of four strategically positioned MAAC centres in Maharashtra located in Malad, Mira Road, Sakinaka, and Pune. Additionally, the company holds another franchise from Aptech Ltd for Lakmé Academy. Powered by Aptech, Lakmé Academy focuses on developing skilled professionals for the beauty and wellness industry, with established centres in Vashi and Sion.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and long track record of operations-

The firm established in 1999, is involved in the trading industry for more than two decades. The partners have forged strong relationships with a diverse group of customers and suppliers. Acuite believes that the experience of the management in the industry is likely to benefit the firm over the near to medium term.

- **Improvement in operating performance with Diversified revenue streams -**

The revenue of the firm increased by ~61.30 percent and stood at Rs.196.33 crore in FY2023 compared to revenue of Rs.121.71 crore in FY2022. Furthermore, the revenue achieved to date stands at Rs 104.93 crore. The PAT margin of the firm improved in FY2023 and stood at 1.38 percent as against 1.14 percent in FY2022. Acuite believes that the firm will sustain the growth in the operating performance over the near to medium term. The firm has diversified its revenue streams by tapping into various sectors, including textile goods, agricultural products, spices, garments, petrochemicals, base oils, bitumen, and mines and minerals. Additionally, revenue from franchise operations with MAAC and Lakme has played a role in mitigating concentration in income sources.

Weaknesses

- **Working capital intensive operations-**

Working capital operations of the firm are moderately intensive marked by GCA days of 108 days in FY23 as against 151 days in FY22. GCA days are driven by high debtor days. Debtors' collection period stood at 70 days in FY23 as against 93 days in FY22. Within the debtor's portfolio, a predominant share is attributed to Bhimashankar, a major customer holds a concerning outstanding balance of Rs 11.99 crores which is due for more than 365 days. Inventory days stood at 17 days in FY23 as against 27 days in FY22. Majority of the products are imported from China. Creditor days stood at 11 days in FY23 as against 23 days in FY22.

Acuite believes that working capital operations of the firm may continue to remain moderately intensive considering the nature of business.

- **Below average financial risk profile-**

Financial risk profile of the firm is below average with low net worth, high gearing and average debt protection metrics. The net worth of the firm stood at Rs. 14.66 crores as on 31st March 2023 as against Rs.12.56 crores as on 31st March 2022. The increase in net worth is due to accretion of profits to reserves. Further, gearing of the firm stood high at 3.16 times as on 31st March 2023 as against 3.03 times as on 31st March 2022. Total outside liabilities to Tangible net worth (TOL/TNW) stood at 3.54 times as on 31st March 2023 as against 3.70 times as on 31st March 2022. Debt service coverage ratio stood average at 2.57 times in FY23 as against 2.17 times in FY22. Interest coverage ratio stood average at 2.57 times in FY23 as against 2.17 times in FY22. Net Cash Accruals to Total Debt (NCA/TD) of the firm stood at 0.08 times for FY2023 as against 0.06 times for FY2022.

Acuite believes that financial risk profile of the firm may improve going forward with no major debt-funded capex.

- **Thin profitability margins -**

The profitability margins are thin in Amtrade presents a significant challenge. The nature of trading industry, characterized by market fluctuation, intense competition, and pricing pressures, significantly influences profitability margins. The thinness of profitability margins exposes the company to potential financial vulnerabilities.

Rating Sensitivities

Improvement in scale of operation while improving the profitability margin.
Any further slippage in the debtor collection will further affect the liquidity of the firm.

Deterioration in financial risk profile.

Liquidity Position

Adequate

The firm's liquidity position is adequate. The firm generated net cash accruals in the range of Rs.1.94 - 3.92 Crore from FY 2021- 2023. The working capital management of the firm is moderately intensive marked by GCA days of 108 days in FY2023 as against 151 days in FY2022. The average utilization of the fund-based limits stood around 38% percent. The firm maintains unencumbered cash and bank balances of Rs.4.84 crore as on March 31, 2023. The current ratio of the firm stands at 1.34 times as on March 31, 2023, as against 1.41 times as on 31 March 2022.

Outlook: Stable

Acuite believes the outlook on Amtrade will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by Amtrade leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	196.33	121.71
PAT	Rs. Cr.	2.71	1.38
PAT Margin	(%)	1.38	1.14
Total Debt/Tangible Net Worth	Times	3.16	3.03
PBDIT/Interest	Times	2.57	2.17

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB Stable Assigned
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE A4+ Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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