



Press Release

Amrit Agencies (Indore) Private Limited

January 20, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	20.00	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus with Credit Watch with Developing Implication)	Assigned
2.	Short Term Bank Facilities	5.00	IVR A3 (IVR A Three)	Assigned
3.	Proposed Long Term Bank Facilities	80.00	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus with Credit Watch with Developing Implication)	Assigned
	Total	105.00 (One Hundred and Five Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Amrit Agencies (Indore) Private Limited draws comfort from its experienced promoters and long track record, continuous scale up of operation and satisfactory capital structure and debt metrics. However, these rating strengths are partially offset by its highly competitive and fragmented nature of industry and geographical and supplier concentration risk. The Rating also considers their strong understanding of local market dynamics, and healthy relationships with customers and suppliers.



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Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Improvement in working capital cycle

Downward factor:

- Deterioration in scale of operation and/or deterioration in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure
- Elongation in the operating cycle impacting the liquidity
- Any adverse regulatory changes

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and long track of record:

Amrit Agencies (Indore) Pvt Ltd has an operational track record from 1988. The company is promoted by Mr. Ravi Sethi and Mr. Manoj Bahety. They along with the experienced senior management, handle the day to day operations of the company. Long standing presence of the promoter in the industry has helped the firm to build established relationships with both customers and suppliers.

Continuous scale up of operations:

The total operating income of the company has witnessed an increasing trend with a CAGR of ~48% during FY17-FY20 and stood at ~Rs.287 crore in FY20 as compared to ~Rs. 89 crore in FY17. The company also handles the inventory of Dainik Bhaskar for which they get a commission income. With increase in the total operating income, Absolute EBITDA and PAT have also shown an increase from Rs. 5.38 crore and Rs. 2.70 Crore in FY19 to Rs. 8.15 Crore and Rs. 3.92 Crore in FY20.



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Satisfactory capital structure and Debt Metrics:

The Adjusted Tangible net worth of AAIPL stood at Rs. 23.27 crore as of March 31, 2020. The long term debt equity ratio ANW and overall gearing ratio ANW have remained comfortable at 0.12x and 1.14x respectively as on March 31, 2020. The total indebtedness of the company as reflected by TOL/TNW improved from 9.78x as on March 31, 2017 to 3.61x as on March 31, 2020 driven by decrease in bank borrowing and steady accretion of profit to net worth. Interest coverage of the company has also improved 0.50x in FY17 to 2.88x in FY20 with the GCA of Rs. 4.64 crore.

Key Rating Weaknesses

Highly Competitive and fragmented nature of industry:

The Indian paper industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

Concentration Risk:

AAIPL operations are mostly concentrated in Madhya Pradesh and Gujarat with almost 90% of the revenue coming from the 2 states. Moreover, top 10 suppliers account for ~66% of the total purchases of the company. These factors expose the company to supplier and geographical concentration risk.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

AAIPL has earned a GCA of Rs. 4.64 crore compared to its debt obligation of Rs. 0.10 crore in FY20. The company has strong healthy liquidity marked by its strong accruals against negligible repayment obligations attributable to low long-term debt in its capital structure. The



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free cash & cash equivalent was Rs. 0.62 Crore as on November 30, 2020. Liquidity is expected to remain Adequate.

About the Company

Amrit Agencies (Indore) Pvt Ltd. was incorporated in 1995 with object to deal in paper products. Earlier, the business was running as partnership concern since 1988 and then converted into private limited company in 1995 with a view to broad base the business profile & capital base. The company has proposed to implement a Packaging Kraft Paper Manufacturing Unit with 300TPD exclusively to serve the demand of packaging units located in Central India region. The plant will have an aggregate installed capacity of 100K MTPA having a project cost of Rs. 125.65 Crore partly funded by the proposed term loan of Rs.80.00 Crore.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	257.92	287.22
EBITDA	5.38	8.15
PAT	2.70	3.92
Total Debt	27.07	28.80
Tangible Net worth	17.13	21.05
EBITDA Margin (%)	2.09	2.84
PAT Margin (%)	1.04	1.36
Overall Gearing Ratio (x)	1.58	1.37

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Term Loan	Long Term	80.00	IVR BBB-/ Credit Watch with Developing Implication			
2.	Cash Credit	Long Term	20.00	IVR BBB-/ Credit Watch with Developing Implication	-	-	-
3.	Invoice Discounting	Short Term	5.00	IVR A3			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	20.00	IVR BBB-/ Credit Watch with Developing Implication
Short Term Bank Facilities–Invoice Discounting	-	-	-	5.00	IVR A3
Proposed Long Term Bank Facility- Term Loan	-	-	-	80.00	IVR BBB-/ Credit Watch with Developing Implication

Annexure 2: Facility Wise Lenders Details

<https://www.infomerics.com/admin/prfiles/Amrit-agencies-20jan21.pdf>