

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' to the Bank Loan Facilities of AMM Engineering Works amounting to ₹ 9.97 Cr

Brickwork Ratings has assigned the following **Rating**¹ to the Bank Loan Facilities of Rs.9.97 Cr of AMM Engineering Works (**AEW or the 'Firm'**):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Cash Credit	6.75	Long Term	BWR BB- (Pronounced BWR Double B minus) Outlook - Stable
Term Loan	1.22		
Non-Fund Based Letter of Credit	2.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	9.97	INR Nine Crores & Ninety Seven Lakhs only	

BWR has principally relied upon the audited financial results up to FY15, projected financials of FY16, FY17 & FY18, publicly available information and information/clarification provided by the Firm's management.

The rating has factored in, inter alia, the experienced promoter group and the firm's association with established players in the white goods industry, which provides stability of operations and revenues and, to an extent, mitigates credit risk associated with receivables. The rating is, however, constrained by a low net profit margin, moderately-weak financial profile with high gearing levels, working capital intensive nature of operations and the highly competitive nature of the consumer durables industry.

Company Background

AEW was established in the year 2008 as a partnership firm. The firm has two manufacturing units located at Kala-Amb in Himachal Pradesh. Unit I of the firm located at Nahan Road, Kala-Amb and is engaged in the assembling of Mixer-Grinders for Usha International and manufacturing of plastic moulded products for Blue Star, Whirlpool, Voltas and V-Guard among others. The unit has been in operation since 2008. Unit II is located at Trilokpur Road, Kala-Amb and is a new venture and has been operational since 2012. The unit is engaged in the manufacturing of water tanks and its customers include Blue Star Ltd and V-Guard Industries amongst others.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management

Mr. Ram Prakash Saboo, Mr. Ramesh Kumar Saboo, Mr. Rajesh Kumar Saboo, Mr. Sanjay Saboo and Phoenix Udyog Pvt. Ltd., a group company, are the major stake holders. Mr. Rajesh Kumar Saboo looks after the day-to-day operations.

Financial Performance

AEW reported total operating income of Rs. 26.14 Crores in FY15 as against Rs. 22.84 Crores in FY14. As of Mar 31st, 2015, Tangible Net Worth stood at Rs. 4.27 Crores and the Total Debt to Tangible Net Worth Ratio stood at 2.34 times. The Net Profit Margin and Operating Profit Margin of the Company stood at 0.17% and 10.84% respectively in FY15.

Further, as per provisional information provided by the management, the firm is expecting to achieve a turnover of Rs ~30.00 Crores in FY16.

Rating Outlook

The outlook is expected to be stable for the next year. Going forward, the firm's ability to meet customer's demands in terms of quantity and quality, its sales targets, improve its scale of operations and profitability, coupled with improvement in the financial profile, including liquidity and gearing levels, decrease in the inventory days and efficient management of working capital shall remain the key rating sensitivities.

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