



Rating Rationale

Aamor Inox Limited

27 Oct 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 56.45 Crores of Aamor Inox Limited.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	51.45	Long Term	BWR BBB- Outlook : Stable
	5.00	Short Term	BWR A3
Total	56.45	INR Fifty Six Crores and Forty Five Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18, Projected financials upto FY 20 and publicly available information and the information/clarification provided by the Company's management.

The ratings factors inter alia the extensive experience of promoters of the company and established operational track record of the company , relationship with customers and suppliers.

The rating is constrained by the moderate scale of operations , lower profit margins of the company, and moderate coverage ratios.

Going forward the ability of the company to sustain growth in operations, improve profitability margins, manage its working capital efficiently and timely repayment of debt obligations would be the key rating sensitivities .

Rating Strengths

Product Profile Aamor Inox Limited (AIL), formerly known as Ambica Stainless Steel Limited, is India's leading manufacturer & exporter of 'Specialty Stainless Steel long-products' (viz. bright bars, HRAP flats, Hexagon bars, Square bars, etc. in various grades and sizes) for very high demanding engineering goods sectors like: Aerospace, Chemical & Petrochemical, Petroleum & Natural Gas, Aviation, Automotive, Pharmaceutical, Food Processing, Defence, Paper & Pulp & Marine sectors. The company exports its products worldwide with special focus on Europe and North America

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Experienced promoters and management team: AIL is promoted by Mr. Anand Gupta having experience of more than 17 years in the stainless steel industry. Mr. Anand Gupta is a graduate from University of Portsmouth, UK.. He brings along an extensive specialty-steel making family experience of over 44 years as an ex-promoter of Ambica Steels Limited (ASL), promoted by Late Shri Mahender Pal Gupta (father of Mr. Anand Gupta). The day to day operations of Aamor Inox are managed by an experienced management team.

Reputed client base: Having started the exports from scratch (back in the year 2004), Mr. Anand Gupta has developed a strong Global market for specialty steel long products, with a reputed and diversified client base ranging from Oil & Gas, Aerospace, Petrochemical, Pharmaceutical, Shipbuilding, Power-generation, Food & Dairy along with many large Stockist & Traders worldwide. AIL's major focus markets are Europe (incl. UK), North America and South America.

Comfortable Gearing and Capital Structure The company's Capital structure is comfortable as Tangible Net Worth (analysed) stood at Rs 57.22 Crs as on 31.03.2018 as against Rs 45.95 Crs as on 31.03.2017. Due to this Gearing is low at 1.02 x in FY 18 against 1.22 x in FY 17

Good Growth seen in Operating Income-Total Operating Income of the company has shown good growth of 30.58 % in FY 18 due to persistent efforts of the management, addition of new products and new customers and also due to increase in the production level. There is a robust growth during current year as the company has achieved turnover of Rs 94.88 Crs in H1-FY 19 against the projected figures of 189.79 Crs in FY 19 .

Rating Weakness

Limited value addition resulting in low profitability: AIL procures stainless steel black bars from various vendors in India and processes these black bars into stainless steel bright bars, resulting in limited value addition in its finished products and hence low profitability margins. The company is engaged in the production of a single product i.e. stainless steel bars though of different sizes and grades, which deprives the company from benefits of product diversification, which resulted in low profitability margins over the past few years . Operating Profit margin though improved to 9.06% in FY18 compared to 5.65% in FY 17 on account of reduction of cost dip seen in operating expenses such as raw material costs, power expenses, employee cost, manufacturing expenses due to economies of scale

Susceptibility to foreign exchange risk: The company is mainly focused in the export market and its export contribution to total sales stood at approximately 74% for FY18, thus exposing the company to the risk of exchange rate fluctuation. However, this risk is partially offset as company is availing packing credit in foreign currency .The raw materials are procured from domestic market.

Average Debt Protection metrics - The Company's Debt Service coverage is low at 1.08 x in FY18 against 0.82 x in FY 17. However the ISCR has improved from 1.45x in FY 17 to 3.16x in FY 18.



Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Aamor Inox Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Aamor Inox Limited (AIL), previously known as Ambica Stainless Steel Limited (ASSL) was incorporated on December 15, 2004 and promoted by Mr Anand Gupta.

The products manufactured by the company have received various quality and process related certifications by various agencies such as ISO 9001: 2008, AS 9100- C (Quality Management System for the Aerospace Industry, North America), EN 9100-C (Quality Management System for the Aerospace Industry, Europe) and ISO 14001: 2004.

The Promoters Mr. Anand Gupta and Ms. Swati Gupta have combined shareholding of 73 %

Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Audited	Provisional
Operating Revenue	₹ Cr	83.66	109.25
EBITDA	₹ Cr	4.73	9.9
PAT	₹ Cr	0.08	1.04
Tangible Net worth *	₹ Cr	45.95	57.22
Total Debt/Tangible Net worth (Analysed) *	Times	1.22	1.02
Current Ratio	Times	0.98	1.03

*Considering unsecured loans as quasi Equity



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Export Packing Credit/Cash Credit	Long Term/Short Term	40.00	BWR BBB-	N.A	N.A	N.A
	Term Loans	Long Term	11.45	BWR BBB-	N.A	N.A	N.A
	Bill Discounting Under LC	Short Term	5.00	BWR A3	N.A	N.A	N.A
	Total		56.45	₹ Fifty Six Crores and Forty Five Lakhs Only			

Status of non-cooperation with previous CRA

CARE BB/A4 (Non Cooperation on February 02, 2018)

Any other information- Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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