

Rating Rationale

Brickwork Ratings assigns 'BWR A3' for the Fund Based & Non-Fund Based Bank Loan Facilities of Ace Hardware Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities (existing and proposed) of Ace Hardware Pvt. Ltd. ('AHPL' or the 'firm'):

Facility	Existing Limits (₹ Cr)	Proposed Limits (₹ Cr)	Tenure	Rating ¹
Fund Based Packing Credit	1.75	1.75	Short Term	BWR A3 (Pronounced as BWR A Three)
Non-Fund Based FOBP/FOBNLC	4.50	4.50		
FOUBP/FOUBNLC (Sub Limit of FOBP/FOBNLC)	(0.5)	(0.5)		
Total	6.25 (INR Six Crores & Twenty Five Lakhs only)			

BWR has principally relied upon the audited financial statements up to FY15, publicly available information and information/clarifications provided by the company's management.

The ratings reflect the extensive industry experience of the company in the door fittings hardware manufacturing industry, above average debt protection metrics coupled with high liquidity position. Good revenue visibilities with a healthy order book position were also considered as the key rating sensitivities. The ratings are, however, constrained by the company's exposure to risks arising from volatility in raw material prices and forex transactions, modest net-worth, intensely competitive nature of industry and customer concentration.

Background:

AHPL was established in 1983 at Ghaziabad (UP). The company is engaged in the manufacture of premium quality door fittings hardware largely for exports. The company has a manufacturing plant located at Ghaziabad (UP). The company is an OEM to several well-known international hardware brands and has a proven track record for timely execution of orders. Besides enjoying good reputation in the international market, the company recently forayed into the Indian market, by launching its own brands viz. "AceLine" and "Victus".

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

Management-Profile:

AHPL was promoted by Mr Sunil Goil, Mrs Minakshi Goil and Mr Nakul Goil in 1983.

Financial-Performance:

The company has achieved a turnover of ₹45.69 Cr upto 31 March, 2015 and PAT of ₹ 7.42 Cr in FY15 as against PAT of ₹ 6.83 Cr in FY14. Current Ratio improved to 3.21 in FY15 from 2.69 in FY14. Net worth improved to ₹ 29.12 Cr in FY15 from ₹25.22 Cr in FY14.

Rating-Outlook

The outlook is expected to be stable over the current year. Going forward the ability of the firm to improve its revenue & profitability, manage volatility associated with raw material prices, strengthen its capital structure would be the key rating sensitivities.

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