



Rating Rationale

Ace Hardware Pvt. Ltd.

29 March 2018

Brickwork Ratings reaffirms rating for the bank loan facilities of ₹8.50 Crores of Ace Hardware Pvt. Ltd.

Particulars

Facility	Previous Rated Amount(₹ Crs)	Amount (₹ Crs)	Tenure	Previous Rating (Jan-2017)	Rating*
Fund based-Packing Credit	2.50	2.50	Short Term	BWR A3+ (Pronounced as A Three Plus)	BWR A3+ (Pronounced as A Three Plus) (Reaffirmed)
Non Fund Based-FOBP (FOUBP)	6.00	6.00			
	(1.50)	(1.50)			
Total	8.50	8.50	INR Eight Crore and Fifty Lakhs only		

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

Short Term Rating reaffirmed at BWR A3+ for the short term bank loan facilities.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While reviewing the rating for **Ace Hardware Pvt Ltd.** ('the Company'), a Ghaziabad based company which engaged into manufacturing and 100% export of door fittings hardware, BWR has factored in the promoters' business experience, healthy equity base and profitability, besides no long term debt. The rating is, however, constrained by volatility in raw material prices and presence in a highly competitive sector.

Description of Key Rating Drivers

Credit Strengths:

- **Promoter's experience:** The company is managed by experienced and well qualified promoters, who are family members and have many years of experience in their line of activity.
- **Improvement in Top Line:** Over the last 3 years, the company has shown consistent growth in its operating revenues from Rs. 51.89 Crs in FY15 to Rs. 58.86 Crs in FY17. Turnover of the Company has increased by 5.99 % from Rs 55.53 Cr in FY16 to Rs 58.86 Cr in FY17.



- **Strong TNW:** The company's tangible net worth (TNW) in FY17 stood at Rs.43.34Cr which increased from Rs.35.12Cr in FY16.
- **Improvement in profitability margins:** The company's OPM is on improving trend; it improved in FY16 to 24.84% from 22.21% in FY15 and further improved to 29.13% in FY17. NPM also improved to 22.15% from 17.30% in FY17.
- **No Long Term Borrowings :** For the last three years, the company does not have any long term borrowings , and hence its overall gearing is very low at 0.21x in FY17.

Credit Weaknesses:

- **Price fluctuation risk along with competition from peers:** Commodity price volatility and risks associated with the fluctuation in the prices of brass and zinc could adversely impact future profit margins.
- **Modest scale of operations :** The company's topline improved to Rs.58.86Cr in FY17. However, as per information shared to us, the company has achieved revenue of Rs.50.68Cr as on Feb 28, 2018.

Analytical Approach

BWR has factored in the standalone business parameters and financial risk profile of the firm to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

Rating Outlook: Stable

BWR believes the **Ace Hardware Pvt Ltd's** 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

Ace Hardware is a private Limited Company started in the year 1983 by Mr Sunil Goil, Mrs Minakshi Goil and Mr Nakul Goil. The company is engaged into manufacturing and 100% export of premium quality door hardware of various designs. The manufacturing plant is located at Ghaziabad, Uttar Pradesh. The company is an OEM to leading international hardware brands and has a proven track record besides enjoying very good repute in the international market. The Company has plans to expand its market to the Gulf, South American markets and other countries.

Financial Performance

Total operating income (TOI) has improved from Rs.55.53Cr to Rs.58.86Cr in FY17. PAT has improved from Rs.9.60 Cr in FY16 to Rs 13.81 Cr in FY17.



Brief financial data is tabulated below:-

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenue	Rs. Crores	55.53	58.86
EBIDTA	Rs. Crores	13.79	17.15
PAT	Rs. Crores	9.60	13.81
TNW	Rs. Crores	35.12	43.34
TOL : TNW	Times	0.27	0.21
Current Ratio	Times	3.81	4.89

Rating History for the last three years

Instrument /Facility	Current Rating (FY2018)				Rating History		
	Type (Long Term/ Short Term)	Previous Rated Amount (₹ Crs)	Amount (₹ Crs)	Rating	FY2017	FY2016	FY2015
Fund Based-Pack ing Credit	Short Term	2.50	2.50	BWR A3+	BWR A3+	BWR A3	--
Non Fund Based - FOBP		6.00	6.00	(Reaffirmed)			
Total		8.50	8.50	₹ Eight Crore and Fifty Lakhs only			

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

Any other information

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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