



Rating Rationale

Ama Industries Private Limited

8th August 2019

Brickwork Ratings revises the long term ratings and reaffirms the short term ratings for the Bank Loan Facilities of ₹. 6.50 Crores of Ama Industries Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April 2017)	Present
Fund based Cash Credit	3.00	3.00	Long Term	BWR B (Pronounced as BWR single B) Outlook: Stable	BWR B - (Pronounced as BWR single B minus) Outlook Stable Downgraded
Non Fund Based Bank Guarantee	3.90	3.50	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Total	6.90	6.50	INR Six Crore Fifty Lakh Only		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company’s audited financial results of FY16, FY17, FY18, provisionals of FY19 and projections of FY20, publicly available information and clarification/information provided by the company.

The rating draws strength from adequate experience of promoters, established track record of operations and diversified product portfolio. The rating is however constrained by losses



incurred, weak debt protection metrics, stretched capital structure, deteriorating revenue, stretched liquidity position and stretched working capital.

The ability of the firm to receive tender, show sustained improvement in profits & gearing, manage working capital efficiently and improve overall financial risk would be the key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive Experience of Promoters:** The company is managed by 5 directors having an average experience of over 5 decades. The company employs technical staff which have a diversified know how of industry along with technical know-how.
- **Established Track Record of Operations:** Ama Industries is a part of 'AMA Group of Companies' manufacturing and supplying various commodities from aluminium extrusions, explosive for the mining industry to Portable magazines & other blasting accessories for various mining companies in India as well as outside India.
- **Diversified Product Portfolio:** The company is backed by a comprehensive product range of Large & Small Dia Cartridge Explosives, Permitted Slurry Explosives, Bulk Emulsion Explosives, Seismic Explosives, Detonating Fuse, NONEL Detonator, Relay Detonator/ Cord Relay, etc.

Credit Risks:

- **Loss incurred** in FY-17, FY-18 & FY-19 marked by OPM & NPM of (-)2.97% and (-)18.06% in FY-18.
- **Weak Debt Protection Metrics:** ISCR stood at (-)0.24 & DSCR stood at (-)0.09 due to loss in FY18.
- **Capital Structure:** TNW has shown a downward trend, being recorded at Rs. (-)1.04 Cr in FY17, Rs. (-)4.39 Cr in FY18 and Rs. (-)8.16 Cr in FY19(P) due to accumulated losses.
- **Revenue:** Deteriorating revenue due to loss of tender from COAL India, which is however expected to be received by the company in the current year that would help revive business. Non-achievement of sales expectations in FY17 also poses as a risk indicator.
- **Liquidity** is stretched marked by Current Ratio of 0.96 in FY18 vs 1.03 in FY17.
- **Working Capital** is stretched as is evident from high level of Gross Current Assets, which amount to approx. 60% of sales.



Liquidity Profile: Liquidity profile of the company is driven by Current Ratio of 0.96 times in FY18. Cash and cash equivalents stood at Rs. 2.52 Crore in FY18. The company has negligible liquid investments.

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 **Ama Industries Private 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

Ama Industries Private Limited, a part of 'Ama Group of Companies,' is a leading ISO accredited Manufacturer of Explosives & Accessories in India. The company has strengthened its presence within mining industries for coal & metals, quarrying, tunneling, construction and seismic explorations across the country.

Ama Industries have a comprehensive product range of Large & Small Dia Cartridge Explosives, Permitted Slurry Explosives, Bulk Emulsion Explosives, Seismic Explosives, Detonating Fuse, NONEL Detonator, Relay Detonator/ Cord Relay etc.

Company Financial Performance

During FY18, the company reported net sales of Rs. 18.48 Crore with PAT of Rs. (-)3.36 Crore as against net sales of Rs. 12.71 Crore and PAT of Rs. (-)4.67 Crore in FY17. As on FY18, Tangible Net Worth stood at Rs. (-)4.39 Crore against Rs. (-)1.04 Crore in FY17. As per provisionals of FY19, net sales are recorded at Rs. 16.42 Crore and PAT at Rs. (-)3.76 Crore.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based Cash Credit	Long Term	3.00	BWR B- (Pronounced as BWR single B minus) Outlook: Stable	Not Reviewed	BWR B (Pronounced as BWR single B) Outlook: Stable	N/A
2.	Non Fund Based Bank Guarantee	Short Term	3.50	BWR A4 (Pronounced as BWR A Four)	Not Reviewed	BWR A4 (Pronounced as BWR A Four)	N/A
Total			6.50	₹ Six Crore Fifty Lakh Only			

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

Any other information

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	18.58	13.07
EBITDA	₹ Cr	(-)0.55	(-)2.58
PAT	₹ Cr	(-)3.36	(-)4.67
Tangible Net worth	₹ Cr	(-)4.39	(-)1.04
Total Debt/Tangible Net worth	Times	(-)3.85	(-)14.40
Current Ratio	Times	0.96	1.03



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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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.

DISCLAIMER

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