



RATING RATIONALE

22 Nov 2019

Ambika Electronics

Brickwork Ratings assigned the long term rating for the Bank Loan Facilities of Rs.32.00 Crores of Ambika Electronics

Particulars:

Facility**	Amount (₹ Cr)	Tenure	Rating*
	Present		Present
Fund based: SODH	32.00	Long Term	BWR BB (Stable)
Total	32.00	Rupees Thirty Two Crores Only	

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR has assigned a rating of BWR BB to Ambika Electronics on account of extensive experience of the promoters, established relations with customers and suppliers, exclusive distributorship in Karnataka, modest but increasing scale of operations, average liquidity profile. The ratings have also taken into consideration the low level of owned funds, stretched gearing, weak debt protection metrics, weak profitability, stressed working capital cycle, constitution as a partnership firm.

The ratings have been assigned a stable outlook on account of the potential growth in demand in the Indian electronic goods industry resulting in an increase in the number of unorganised players in the organised market. BWR believes that Ambika Electronics business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Extensive experience of the promoters: The partners have an extensive experience of over two decades in the same field and have an established presence in Karnataka. Product portfolio in the electronics segment is diversified.

Established customer and supplier relation: Over the years, the partners have maintained dealings with several electronic equipment manufacturers including Onida Electronics, Samsung, Intex Technologies, and LG Electronics. Additionally, in FY 18, they have added new principals like Whirlpool Corporation and Havells India Limited.



Exclusive distributorship: The firm is the sole distributor in 5 areas: Bengaluru city, Bengaluru rural, Tumkur, Chickbalapur, Kolar.

Increasing scale of operations: Modest but increasing scale of operations with the TOI increasing to Rs 71.11 Cr in FY19 as compared to Rs 66.73 Cr in FY18 backed by switching to distribution of LG products in 2013-14 from those of Toshiba

Average liquidity profile: Average liquidity profile with the current ratio standing at 1.31x in Fy19 as compared to 1.42x in FY18.

Credit Risks

Low level of owned funds : Low level of owned funds with the TNW standing at Rs 9.11 Cr in FY19 as compared to Rs 8.85 Cr in FY18.

Stretched gearing : The gearing is stretched with the total debt/ TNW and TOL/TNW standing at 3.14x & 3.15x respectively in FY19 as compared to 2.34x & 2.35x respectively in FY18.

Weak debt protection metrics: Weak coverage ratios with the ISCR and DSCR standing at 1.11x and 1.11x in FY19 & FY18 on account of increase in the debt amounts.

Weak Profitability: Weak profitability with the NPM and OPM standing at 0.48% and 5.24% respectively in FY19 as compared to 0.50% and 5.79% respectively in FY18.

Stressed working capital cycle: Stressed working capital cycle of 173 days driven by high receivables of 141 days.

Constitution as a partnership firm: Limitations of the partnership firm with respect to the inherent risk of fluctuation of capital on account of the withdrawal of capital by the partners.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward the firm's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities, and sustained improvement working capital management.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

LIQUIDITY POSITION: AVERAGE

The cash and cash equivalents of AE stand at Rs 0.28 Cr in FY19. The company has cash accruals of Rs 0.46 Cr in FY19 as compared to no long term debt obligations in FY19. The current ratio of the firm stands at 1.31x in FY19. The average utilization of the facility for the last 6 months stands at ~80-90%.

COMPANY PROFILE

Ambika Electronics was established as a partnership firm in Bengaluru during 1990. Ramesh Aithal & Shantharam Holla are the partners of the firm. The firm trades in consumer electronics, home appliances segment. The firm is an authorised distributor of electronic equipments for LG Electronics India Pvt Ltd, Samsung, Intex Technologies, Whirlpool, Hapag Lloyd India Pvt Ltd, Onida, DECCO Appliances Pvt Ltd, Varnada Industries Pvt Ltd, Havells India Ltd, Kenstar India Pvt Ltd. The firm is the sole distributor in 5 areas: Bengaluru city, Bengaluru rural, Tumkur, Chickbalapur, Kolar. The list of products includes: Consumer Electronics, Home Appliances, Kenstar Coolers. The firm pays 100% advance to its suppliers to carry on its business activity. The firm caters to about 250 dealers across Karnataka.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Unit	FY19 Audited	FY18 Audited
Total Operating Income	(in ₹ Cr)	71.11	66.73
EBITDA	(in ₹ Cr)	3.73	3.86
PAT	(in ₹ Cr)	0.34	0.33
Tangible Net Worth	(in ₹ Cr)	9.11	8.85
Total debt/ TNW	Times	3.14	2.34
Current ratio	Times	1.31	1.42

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2018	2017	2016
Fund Based	Long Term	32.00	BWR BB (Stable)	NA	NA	NA
Total		32.00	Rupees Thirty Two Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)

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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Syndicate Bank	SODH	32.00	-	32.00
TOTAL					32.00



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