

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' rating for the Bank Loan Facilities aggregating ₹ 50 Cr of Amit Brothers Private Limited.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facility of Rs.50.00 Cr of Amit Brothers Private Limited ('ABPL' or 'Company').

Facility	Existing Limit(₹ Cr)	Proposed Limit*(₹ Cr)	Tenure	Rating
Fund Based				BWR BB+ (Pronounced BWR Double B Plus)
Cash Credit	35.00	50.00	Long Term	(Outlook: Stable)
Total	35.00	50.00	INR Fifty Crore only	

*Includes existing limit

BWR has principally relied upon the audited financial results up to FY15, projection for FY16 & FY17 and publicly available information and information/clarifications provided by the management.

The rating factors in, inter alia, the promoters' experience, healthy growth in operating income, reasonable interest coverage and established dealership network and supplier base. The rating also takes note of the capex done in FY15 and planned capex in FY16 for manufacturing of batteries, which is expected to support company's scale and margins going forward. However, the rating is constrained by low profit margins due to high proportion of revenue from trading activity, working capital intensive nature of operations and intense competition in the industry.

Management-Profile:

The key management and promoters' of the company are Mr. N C Jain and Ms. Anu Jain, who are also the directors of the company.

Background:

ABPL was set up 30 years ago as a proprietorship firm at Palam, New Delhi, with the business of paint, hardware and sanitary for companies like Nerolac, Asian Paints, Hindware, Somani etc., in the West Delhi area. In 1997, the proprietorship firm was converted into a private limited company. As business expanded, the company took dealership of Crompton Greaves Limited (CGL) and started wholesaling as well as retail distribution of CGL products. In January 2011, the company forayed into production of inverter batteries at Sonipat (Delhi).

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

Currently, the company is engaged into trading of electrical and electronic items, manufacturing of batteries like lead acid battery (for inverters), automotive batteries, UPS batteries and assembling of gas geyser. During FY15, company has done capex towards machinery expansion for manufacturing of batteries. The company has planned to increase the capacity further in FY16. The products will be sold under its own brand in the name of 'ABL'.

Financial-Performance:

ABPL reported total revenue from operations at Rs.268.15 crore in FY15 as against Rs.235.66 crore in FY14. Operating Profit Margin and Net Profit Margin of the company was at 3.67% and 1.14% in FY15.

Rating-Outlook:

The outlook is expected to be stable for the current year. Going forward, the company's ability to increase the scale of operations from manufacturing activity, improve profit margins and efficiently manage its working capital cycle remains the key rating sensitivities.

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