

Rating Rationale

Brickwork Ratings upgrades rating for the Bank Loan Facilities aggregating ₹ 50 Cr of Amit Brothers Pvt. Ltd.

Brickwork Ratings has upgraded **Rating¹** for the Bank Loan Facilities of Amit Brothers Pvt. Ltd. (ABPL or the “Company”):-

Facility	Previous Limits (In Cr)	Present Limits (In Cr)	Tenure	Previous Rating	Rating after Review
Fund Based					
Cash Credit	50.00	50.00	Long Term	BWR BB+ (Pronounced as BWR Double B plus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: Stable
Total	50.00	50.00	INR Fifty Crores Only		

BWR has essentially relied upon audited financial results of ABPL up to FY16 and projected financial data for FY17 & FY18, publicly available information and information provided by the management.

The upgrade in rating has, inter alia, derived comfort from promoters’ vast experience, moderate to low financial risk profile marked by an overall gearing of 1.37 times, despite being a largely trading revenue driven company, and reasonable coverage ratios, above average debt-protection metrics with ISCR of 2.10 times and DSCR of 1.79 times, improvement in profitability margins and healthy growth in operating income and has taken into account the setting up a plant at to manufacture solar panels and batteries besides an established dealership and supplier base. The rating is, however, constrained on account of low inherent profit margins due to trading nature of business, working capital intensive operations and competition in the industry.

Background:

Delhi-based Amit Brothers Pvt. Ltd. was incorporated on 13th October 1995. The company is engaged in trading of electrical appliances and manufacturing of storage battery for inverters auto-rickshaws.

Amit Brothers is currently managed by Mr. Naresh Chand Jain and Mrs. Anu Jain. The company has a network of more than 250 dealers in TIER-2 and TIER-3 cities in northern and eastern regions of India.

Ownership and Management:

The company is currently managed by Mr. Naresh Chand Jain who has experience of more than 50 years in similar line of business. Mrs. Anu Jain has an experience of more than 25 years.

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

Financial Performance:

As per the audited financials for FY16, ABPL generated revenue of Rs. 294.20 Crs in FY16 against Rs. 267.89 Crs in FY15. Profit after taxes of the company stood at Rs. 3.38 Crs in FY16. Operating profit margin and net profit margin increased in FY16 to 4.08% and 1.15%, respectively. Tangible Net Worth of the company increased to Rs. 53.65 Crs in FY16 from Rs. 43.27 Crs in FY15.

As per management certified half-yearly provisional financial results of FY17, ABPL achieved sales of Rs. 183.11 Crs.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, scaling up operations, managing inventory turnover, improving financial profile, meeting projections and ensuring timely servicing of debt would be the key rating sensitivities.

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