

Rating Rationale

Brickwork Ratings assigns 'BWR B' for the Bank Loan facilities of ₹ 11.85 Cr of Amman Industries.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan facilities of Amman Industries (AI or the 'Firm') sanctioned by Corporation Bank.

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based			BWR B
Corp Vyapar Over Draft (CVPOD)	11.85	Long Term	(Pronounced BWR single B) (Outlook:Stable)
Total	11.85	(INR Eleven Crores & Eighty Five Lakhs only)	

BWR has principally relied upon the audited financial results up to FY14, projected financials for FY15 and information/ clarifications provided by the Firm's management.

The rating factors in the extensive experience & support of the promoters who have been active in the timber trading business for several years, the network of established customers and overseas/domestic suppliers, increase in firm's revenue in FY14 compared to previous years and the locational advantage due to firm being near to a port town enabling ease in procuring of imported timber.

However, the rating is constrained by the firm's considerably high gearing levels coupled with a low net worth, susceptibility to volatility in raw material prices and exchange rate fluctuation risks especially since raw material is procured through imports as well as local sources, low profitability margins which are industry inherent, working capital intensive nature of operations and intense competition from organized as well as unorganized players.

Background:

Amman Industries was established on 15 July 2002 by Mr. Jeethendra Patel as a proprietorship concern. The firm is engaged in the import and trading of round timber logs. AI also undertakes bulk orders for making wooden doors, furniture and fixtures for which it

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

recruits contract based carpenters. Its main facility is located at Puducherry (Pondicherry) with the nearby Tuticorin port facilitating easy imports of timber.

The firm's main products are timber logs of a variety of hardwood species like Teak, Silver Oak, Padouk, Kwila, Pyinkado, Sal etc. which are imported from Myanmar, Malaysia, Indonesia, Papua New Guinea, New Zealand and other African and South American countries as well.

Financial Performance:

The net sales of the Firm increased considerably in FY14 at ₹ 60.21 Crores compared to ₹ 8.87 Crores in FY13 and operating profit increased to ₹ 0.88 Crores as against ₹ 0.17 Crores in FY13. There is an increase in net profits at ₹ 0.26 Crores in FY14 compared to ₹ 0.11 Crores in FY13. Debt equity ratio worsened to 27.49 times in FY14 compared to 1.32 times in FY13. As on FY14, the tangible net worth of the Firm stood at ₹ 0.46 Crores. According to the management's provisional figures for FY15 till 31st January, 2015, AI has achieved the revenues of ~ ₹ 61.91 Crores which is higher than the projected amount of ₹ 60.50 Crores.

Rating Outlook:

The outlook for Amman Industries is expected to be stable in the coming year. Going forward, the ability of the Firm to improve its profitability considering the intense competition in the sector, improve its net worth levels while maintaining a comfortable debt equity position and manage its working capital efficiently will be the key rating sensitivities.

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