

Rating Rationale

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating to ₹ 62.69 Cr of Amod Stampings Pvt. Ltd.

Brickwork Ratings has assigned the following **Ratings¹** for Bank Loan facilities of Amod Stampings Pvt. Ltd. (ASPL or the company).

Facilities	Limits (₹ Cr)	Tenure	Rating
Fund Based			
Cash credit	25.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Term Loan	0.69		
Total Fund Based	25.69		
Non Fund Based			
Letter of Credit	37.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Bank Guarantee	(5.00)		
Buyers Credit	(7.50)		
Total Non-Fund Based	37.00		
Total	62.69	(INR Sixty Two Crores and Sixty Nine Lakhs Only)	

**Bank Guarantee & Buyers Credit Limit is a sublimit within overall LC.*

#Term loan outstanding as on 13/08/2014.

BWR has essentially relied upon the audited financials of Amod Stampings Pvt Ltd up to FY 14 and projected financials of FY 15 & FY 16, publicly available information and information/clarifications provided by the firm.

The rating reflects promoters experience in the industry, long and established track record of operation and favourable outlook of power sector demand in the long term. The rating is, however, constrained by low capacity utilisation resulting in declining revenues for last two years and also due to slowdown in power sector, stressed liquidity due to elongated cash conversion cycle in FY 14, Moderate financial risk profile marked by moderate tangible Networth and gearing level and weak debt service coverage ratios, company managing to

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

achieve profit only through non-operating income and exposure to competition from players in the industry. The ratings also take into consideration current order books position and agreement with a supplier for supply of raw material at lesser price compared to market price.

Background:

Amod Stampings Pvt Ltd (ASPL), was established as a partnership firm in the year 1978 by Mr. Naraharibhai S. Patel and his son Mr. Surendrabhai N. Patel at Amod village, Bharuch, Gujarat and later In 1995, it was reconstituted as Private Limited company having its registered office at Gujarat Spun Pipe Compound, Padra Road, Baroda. ASPL is engaged in the business of manufacturing “cores for transformers” used in the Power Industry. The Company imports Cold Rolled Grain Oriented steel and cuts them to design dimensions. The sheets are then stacked one over the other to form the base for a transformer core which are then supplied to customers in India. Products manufactured by the company are Toroidal Core and Lamination cores in conventional grades viz M3, M4, M5 and also HI-B grades viz. MOH, ZDKH, ZDMH.

Financial Performance:

ASPL’s net revenue from operations decreased from ₹ 53.17 Crores in FY13 to ₹ 47.74 Crores in FY14 due to slowdown in capacity addition in power sector as well as reduced realizations. Revenues are expected to increase in FY 15 on account of orders on hand and supply of core to group company around Rs. 60 to 70 crs.

EBITDA and PAT margins were at 13.27 % and 1.07% respectively in FY14, marginally increased from 3.96% and 1.04% respectively in FY13. Operating margins improved in FY 13 due to reduction of raw material prices. Form past two years the company earned net profits because of non-operating income.

Due to retention of profits, tangible Networth increased from Rs. 33.49 crs in FY 13 to Rs. 34.00 crs in FY 14. In addition, un-secured loan from promoters and family members to the tune of Rs. 10.45 Crs, which are sub-ordinated to the bank and continued in business. Borrowings are essentially by way of working capital facilities & term loan and the ratio of Total Debt to Equity was 1.33x times in FY 14 which include unsecured loans of Rs. 10.45 crs. The company has informed that it has achieved sales of around Rs. 28 crs for the four month operation period April- July 2014.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to, achieve the projected turnover by improving its capacity utilization, strengthen its capital structure, improve the liquidity by taking effective steps for debtor recovery and manage working capital efficiently - will remain key rating sensitivities.

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