



**Rating Rationale**

**Assam Bearing Pvt. Ltd.**

**22 March 2019**

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.50 Crores of Assam Bearing Pvt. Ltd..**

**Particulars**

<b>Issue</b>	<b>Present Amount Rated (₹ Crs)</b>	<b>Tenure</b>	<b>Rating*</b>
<b>Fund Based</b> Cash Credit	6.00	Long Term	<b>BWR BB-</b> <b>(Pronounced as Double B Minus)</b> Outlook: Stable
<b>Non-fund Based</b> Bank Guarantee	0.50	Short Term	<b>BWR A4</b> <b>(Pronounced as A Four)</b>
<b>Total</b>	6.50	INR Six Crore and Fifty Lakhs Only	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financial results of the Company upto FY18, projected financials for FY19 and select financial data for current financial year, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the growth in revenues wherein the revenue grew from Rs.15.77 Cr. in FY18 to Rs.22.39 in FY18 and the company is expecting to achieve Rs.25.00 Cr. in FY19. The ratings also factors in the vast experience of the promoters in the same field for the past 4 decades and diversified business activities. The rating is further supported by established relations with SKF Bearings India Ltd and Hepcomotion India Ltd, strong customer base, the Addition of Large Corporate Accounts into the Customer Base and addition of Distributorship of Lincoln Helios India Ltd.

The rating, however, is constrained by weak profit margins due to trading activity, high gearing owing to low TNW, weak debt protection metrics and long conversion cycle owing to high inventory days.

Going forward the company's ability to infuse capital and improve profitability will be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Experience of the directors :** ABPL got incorporated in May,1997 and commenced the business in the same year itself. The directors have been in the same line of business for the past 4 decades.
- **Diversification of Business :** The directors of the company have been involved in various businesses spanning Trading in Gems & Jewels, marketing of Hepcomotion products in India, Tea Packaging etc thus minimizing the industry risk.
- **Established relations with SKF Bearings India Ltd. & HepcoMotion India Ltd.** The directors have well established relations with SKF Bearings India Ltd. & HepcoMotion India Ltd. SKF is a subsidiary of Swedish bearing major AB SKF, which is the largest bearing manufacturer globally. SKF India is one of the largest bearing manufacturers in India. The directors have been the distributors of SKF Bearings for more than 4 decades. For the past one year the company has also been associated with Hepcomotion India Ltd which is one of its group concerns and a JV with Hepco Slide systems U.K. for marketing Hepcomotion products in India. ABPL is the North India Distributor of the Hepco products. The company has also been awarded with Distributorship of Lincoln Helios India Ltd which will help the company to generate additional business.
- **Reputed customer base :** The company has in its fold some of the prominent customers like NTPC, Nalco, Maruti Suzuki, Hero Motocorp, Rockman Industries, Goodyear, Starwire India Ltd., Whirlpool, Tata Steel Processing, Escorts Ltd. etc. Besides these, the company has also added a few large corporate accounts like Rajasthan Rajya Vidyut Nigam, Chhattisgarh Vidyut Nigam and Munjal Showa Ltd.

#### Credit Risks:

- **Weak Financial Risk Profile :** Gearing (Analysed) and overall gearing at 2.19X and 3.36X respectively in FY18 are high. Debt Protection Metrics in FY18 i.e. ISCR at 1.28X is also below the benchmark. Operating Profit Margin at 5.79% and Net Profit Margin at 0.83% in FY18 are considered low. The same is owing to high interest and finance charges. Conversion Cycle at 140 days is long because of the high inventory days.



## Analytical Approach

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

## Rating Outlook: Stable

BWR believes the **Assam Bearing Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## About the Company

Assam Bearing Pvt Ltd (ABPL) is the distributor of SKF Bearings India Ltd. & HepcoMotion India Ltd. Main products traded by the company are Bearings, Greases, PT products, Maintenance products, Condition monitoring products, Oil seals , Linear Motion Guides etc. The end user of the products are from all industries. ABPL got incorporated in May,1997 and commenced the business in the same year itself. Currently the company is serving more than 1000 customers in North India and catering to their maintenance requirements. Some of the prominent customers of ABPL are NTPC, Nalco, Maruti Suzuki, Hero Motocorp, Rockman Industries, Goodyear, Starwire India Ltd., Whirlpool, Tata Steel Processing, Escorts Ltd. etc.

## Company's Financial Performance

During FY18, the company reported net revenues of Rs.22.39 Crs and PAT of Rs.0.19 Crs. The management informed, the company has clocked a revenue of Rs.22.00 Crs for eleven month period ending February,2019 of current financial year and they are projecting to achieve Rs.25.00 Crs by the end of current financial year, FY19.

### Key Financial Indicators

Key Parameters	Units	2018	2017
<b>Result Type</b>			
Operating Revenue	₹ Cr	22.39	15.77
EBITDA	₹ Cr	1.30	1.05
PAT	₹ Cr	0.19	0.11

Tangible Net worth (Analysed)	₹ Cr	4.29	3.98
Total Debt/Tangible Net worth (Analysed)	Times	2.19	1.31
Current Ratio	Times	1.70	1.57

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	FY17	FY16	FY15
	<b>Fund Based Cash Credit</b>	Long Term	6.00	<b>BWR BB- (Pronounced as Double B Minus)</b> Outlook: Stable	NA		
	<b>Non Fund Based Bank Guarantee</b>	Short Term	0.50	<b>BWR A4 (Pronounced as A Four)</b>			
	<b>Total</b>		<b>6.50</b>	<b>₹ Six Crore and Fifty Lakhs Only</b>			

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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#### **Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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