

Rating Report

Brickwork Ratings assigns 'BWR BB-' and 'BWR A4' to the Bank Facilities of AMM Engineering Works amounting to Rs. 9.97 Crs.

Brickwork Ratings has assigned the following **Ratings**¹ to the Bank Loan Facilities of Rs. 9.97 Crs of AMM Engineering Works (AEW or the 'Firm'):

Facility	Limits (₹ Crs)	Tenure	Rating
Fund Based Cash Credit	6.75	Long Term	BWR BB- (Pronounced BWR Double B minus) Outlook - Stable
Term Loan	1.22		
Non Fund Based Letter of Credit	2.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	9.97	(INR Nine Crores and Ninety Seven Lakhs only)	

BWR has principally relied upon the audited financial results upto FY15, projected financials of FY16, FY17 & FY18, publicly available information and information/clarification provided by the Firm's management.

The rating has factored in, inter alia, the experienced promoter group and the firm's association with established players in the white goods industry, which provides stability of operations and revenues and, to an extent, mitigates credit risk associated with receivables. The rating is, however, constrained by a low net profit margin, moderately-weak financial profile with high gearing levels, working capital intensive nature of operations and the highly competitive nature of the consumer durables industry.

Company Background

AEW was established in the year 2008 as a partnership firm. The firm has two manufacturing units located at Kala-Amb in Himachal Pradesh. Unit I of the firm located at Nahan Road, Kala-Amb and is engaged in the assembling of Mixer-Grinders for Usha International and manufacturing of plastic moulded products for Blue Star, Whirlpool, Voltas and V-Guard among others. The unit has been in operation since 2008. Unit II is located at Trilokpur Road, Kala-Amb and is a new venture and has been operational since 2012. The unit is engaged in the manufacturing of water tanks and its customers include Blue Star Ltd and V-Guard Industries amongst others.

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

Management

Mr. Ram Prakash Saboo, Mr. Ramesh Kumar Saboo, Mr. Rajesh Kumar Saboo, Mr. Sanjay Saboo and Phoenix Udyog Pvt. Ltd., a group company, are the major stake holders. Mr. Rajesh Kumar Saboo looks after the day-to-day operations.

Financial Performance

AEW reported total operating income of Rs. 26.14 Crores in FY15 as against Rs. 22.84 Crores in FY14. As of Mar 31st, 2015, Tangible Net Worth stood at Rs. 4.27 Crores and the Total Debt to Tangible Net Worth Ratio stood at 2.34 times. The Net Profit Margin and Operating Profit Margin of the Company stood at 0.17% and 10.84% respectively in FY15.

Further, as per provisional information provided by the management, the firm is expecting to achieve a turnover of Rs ~30.00 Crores in FY16.

Rating Outlook

The outlook is expected to be stable for the next year. Going forward, the firm's ability to meet customer's demands in terms of quantity and quality, its sales targets, improve its scale of operations and profitability, coupled with improvement in the financial profile, including liquidity and gearing levels, decrease in the inventory days and efficient management of working capital shall remain the key rating sensitivities.

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AMM Engineering Works
Annexure I: Balance Sheet

Particulars (Rs. Crores)	FY13	FY14	FY15
	Audited	Audited	Audited
LIABILITIES			
EQUITY AND RESERVES	3.87	5.23	4.27
Share capital	3.53	4.95	4.22
Reserves and Surplus	0.34	0.27	0.04
Non-current liabilities	3.77	2.66	3.10
Long-Term Borrowings	3.77	2.66	3.10
Current liabilities	12.69	11.15	11.30
Short-Term Borrowings	6.18	7.11	6.88
Trade Payables	4.63	3.57	1.72
Other Current Liabilities	1.78	0.43	2.64
Short-Term Provisions	0.10	0.04	0.06
Total Liabilities	20.33	19.03	18.66
ASSETS			
Non-current assets	5.97	5.50	5.24
Net Fixed assets	5.97	5.50	5.24
Current assets	14.36	13.53	13.43
Inventories	5.91	7.02	8.57
Trade Receivables < Six Months	2.49	1.89	2.62
Cash and Cash Equivalents	0.07	0.30	0.06
Short-Term Loans and Advances	5.54	2.86	2.18
Other Current Assets	0.35	0.37	0.00
Total Assets	20.33	19.03	18.66

AMM Engineering Works
Annexure II: Profit and Loss Account

Particulars (Rs. Crores)	FY13	FY14	FY15
	Audited	Audited	Audited
Net Sales	22.22	22.82	26.14
Other Operating Income	0.03	0.02	0.00
Total Operating Income	22.25	22.84	26.14
Operating Expenses	20.25	20.56	23.31
OPBDIT	2.00	2.28	2.83
Depreciation/Amortization/Impairment	0.41	0.57	0.52
OPBIT	1.58	1.71	2.31
Interest and Finance Charges	1.25	1.61	2.29
OPBT	0.34	0.10	0.02
Non Operating Income(Expenses)	0.02	0.07	0.03
PBT	0.35	0.17	0.06
Provision for Taxes	0.02	0.09	0.01
PAT	0.34	0.08	0.04

AMM Engineering Works

Annexure III: Ratios

Particulars		FY13	FY14	FY15
		Audited	Audited	Audited
Tangible Net Worth	Rs. Crores	3.87	4.13	4.27
Total Debt/TNW	Times	2.57	2.36	2.34
Long Term Debt/TNW	Times	0.97	0.64	0.73
ISCR	Times	1.60	1.42	1.24
DSCR	Times	1.60	1.05	1.07
Net Cash Accruals/Total Debt	Times	0.08	0.06	0.06
Net Profit Margin	Per cent	1.51	0.36	0.17
Operating Profit Margin	Per cent	8.97	9.99	10.84
ROCE	Per cent	11.45	12.37	16.41
Current Ratio	Times	1.13	1.21	1.28
Days Receivables	Days	41	35	31
Days Inventory	Days	108	118	126
Days Payable	Days	85	77	44

Note: Ratios are based on BWR's calculation