

## Rating Report

### Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Credit Facilities amounting to ₹ 7.61 Cr of A V Cam Corporation

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for long-term Bank Credit facilities of ₹ 7.46 Cr and short-term Bank Credit Facilities of ₹0.15 Cr of A.V. Cam Corporation ("AVCC" or "the Company").

Facility	Limits (₹ Cr)	Tenure	Rating
<u>Fund Based</u> TL	2.96	Long Term	BWR B Outlook:Stable
CC	4.50		
<u>Non Fund Based</u> LC (Sublimit of TL)	(2.25)	Short Term	BWR A4 (BWR A Four)
BG	0.15		
<b>Total</b>	<b>7.61 (INR Seven Crores &amp; Sixty One Lakhs only)</b>		

BWR has principally relied upon the audited financial results of AVCC up to FY 13, and further projected financials, publicly available information and information/clarification provided by the Company management.

The ratings assigned to the bank facilities of M/S A.V. Cam Corporation are primarily constrained on account of its small scale of operations in a highly competitive and fragmented elevator and escalator industry, relatively low profitability, its constitution as a proprietorship concern owing to the risk of withdrawal of capital, working capital intensive nature of operations and average financial risk profile marked by low net worth. The ratings however continue to factor in, the vast experience of promoters and its standing relationship with customer and supplier.

#### Background

AVCC, a proprietorship concern of smt. Kamlaben V. Patel established in the year 2000 and engaged in the manufacturing of elevators guide rail, swing door, gate lock, bracket, wire rope and gear box etc. The main raw material required by the firm is readymade S. S. Steel which AVCC procures from surrounding area. Major supplier of raw material for AVCC is M/S Parry Engineering and elevators Pvt. Ltd.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## Financial Performance

Operations of the firm is relatively small with total operating income of Rs.15.30 Cr & net worth of Rs.3.03 Cr as on Mar.31, 2013. The small size restricts the financial flexibility of the company in terms of stress & deprives it from benefits of economies of scale. AVCC achieved turnover of Rs.15.30 Cr during FY 13 against Rs.11.92 Cr in FY 12 which represents increase of about 28%. Subsequently EBITDA margins expands 283 bps to 11.14 % in FY13 on account of proportionate decrease in operating expenses and the firm is able to maintain its margins at operating levels close to 10 per cent since past three years ended as on March 2013 reflecting its ability to maintain its margins in different business cycles. Further the company has recorded NP of Rs.0.14 Cr in FY 13 against Rs.0.25 Cr for the previous year. Net margin declined by 118 bps to 0.93% in FY 13 majorly attributable to higher depreciation and interest out go as compared to previous year. The firm plans to undertake debt funded capex to the tune of Rs.2.90 Cr to enhance its installed capacity to service the future demand.

The overall capital structure of AVCC has improved marginally which is reflected in overall gearing of 2.06 x as on March 31, 2013 against 2.65x as on March 31, 2012. Going forward post the debt funded capex in the year 2014-15; the gearing is expected to remain close to 2012-13 levels on account of infusion of capital to the tune of Rs.0.81 Cr in FY 13. The liquidity remains stretched influenced by high working capital requirements coupled with low financial flexibility. Its average bank lines utilization for past trailing 12 months ended as of March 2014 continues to remain high at 86 per cent. Going forward the overall working capital requirements are expected to rise with its scale of operations.

M/S AVCC reported a net sales of Rs.18.25 Cr for 2013-14(provisional financial), against Rs.15.30 Cr for corresponding previous year.

## Rating Outlook

Going forward, AVCC's ability to increase its scale of operations along with an improvement in its capital structure and profitability by optimally utilizing its working capital limits will remain the key rating sensitivities

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### **Annexure I - Key Financials – M/S A.V. Cam Corporation**

Particulars (Rs. In Cr)	FY 2011	FY 2012	FY 2013
	A	A	A
Operating Income	9.68	11.92	15.30
EBITDA	0.92	0.99	1.70
PAT	0.22	0.25	0.14
Long term borrowings	3.62	3.45	2.87
Short term borrowings	1.36	2.73	3.37
Total Debt	4.98	6.18	6.23
Paid Up Equity Capital	1.51	2.08	2.89
Reserves & Surplus	0.22	0.25	0.14
Tangible Net worth (Rs. Cr)	1.74	2.33	3.03
Debt to Equity (x)	2.87	2.65	2.06
Interest Coverage (x)	2.01	2.21	2.30
DSCR (x)	2.01	1.04	1.38
EBITDA Margin (%)	9.53%	8.30%	11.14%
PAT Margin (%)	2.32%	2.11%	0.93%
Net Cash Accruals / Total Debt (x)	0.09	0.09	0.16
Current Ratio (x)	1.36	1.08	1.14

*\*Calculations has been based on BWR ratio definition*