

Rating Report

Brickwork Ratings assigns 'BWR BB+/A4+' Ratings for Bank Loan facilities aggregating to ₹ 14.86 Cr of Ambit Switchgear Private Limited

Brickwork Ratings (BWR) has assigned following **Ratings¹** for Bank Loan facilities of Ambit Switchgear Private Limited (ASPL or “the company”):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based:			
Cash Credit	3.75	Long Term	BWR BB+ (BWR Double B Plus) Outlook: Stable
Term Loan	5.11		
Non Fund Based:			
Letter of Credit	1.00	Short Term	BWR A4+ (BWR A Four Plus) Outlook: Stable
Bank Guarantee	5.00		
Total	14.86	INR Fourteen Crores Eighty Six Lakhs only	

BWR has essentially relied upon the audited financial results of ASPL upto FY14, projected financial statements upto FY17 and information/clarifications provided by the management of the company.

The ratings draw strength from the experience of the promoters, reputed client base, low customer concentration risk, strong interest coverage indicators, and short cash conversion cycle. However, the ratings are constrained by declining operating profit margins, modest scale of operations and tangible networth and presence of the company in an industry which is highly competitive.

Background:

ASPL was incorporated in 2005 at Noida. The promoters of the company are Mr Rakesh Jain, Mr HK Wadhwa & Mr Anand Singhal. Mr Rakesh Jain & Mr Anand Singhal oversee the day to day operations of the business.

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

Business Operations:

ASPL is a manufacturer of all types of Electrical Panels such as Power Control Centres, Motor Control Centres, Switchgear Panels and Compact Substations. The company operates from 2 manufacturing facilities – own unit of 8000 square metres and a rented unit spanning 25000 square metres. The company has state of the art machinery for its entire manufacturing operations which include the fabrication Unit, Powder Coating Unit and Assembly & Wiring Section. ASPL is the authorized system house for ABB Limited and the authorized system integrator for DEIF, Denmark and Socomec, France.

Financial Performance:

As per audited financial statements of ASPL, Total Operating Income increased from Rs. 41.13 Crs in FY13 to Rs. 46.53 Crs in FY14. Operating profit margin declined from 9.10% in FY13 to 7.99% in FY14. Net Profit Margin has remained flat at 2.83% in FY14. Cash Conversion cycle is short and has improved from 41 days in FY13 to 34 days in FY14. Interest Coverage Ratio was strong at 3.43 times and Debt Coverage ratio was moderate at 1.30 times in FY14. As on 31st March 2014, Tangible Networth stood at Rs. 13.34 Crs and Debt Equity Ratio was 0.69 times. Key Financial Parameters are detailed in Annexures I, II and III.

Credit Risk Determinants:

- The promoters are well experienced in the electrical equipment industry
- ASPL is the authorized system house for ABB Limited and the authorized system integrator for DEIF, Denmark and Socomec, France
- Client base is reputed and includes names such as Maruti Suzuki, Tata Motors, ABB, Schneider Electric, JK Tyre, Videocon and the like.
- Interest Coverage Ratio is strong at 3.43 times and Debt Coverage Ratio is moderate at 1.30 times
- Operating profit margin declined in FY14 over FY13 however net profit margin remained stagnant due to lower interest costs
- Company's scale of operations and tangible networth are relatively modest. However, the company has excellent infrastructure in place to scale up production.

Rating Outlook:

The outlook for the company is expected to be stable for the next one year. Going forward, the ability of the company to achieve its projected revenue, improve its scale of operations and stabilize its operating profit margin will be the key rating sensitivities.

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AMBIT SWITCHGEAR PRIVATE LIMITED

Annexure I: Summary of the Profit & Loss Account

Crores	FY12	FY13	FY14
Result Type	A	A	A
Gross Sales	43.18	45.23	51.61
Excise Duty/Sales Tax	3.52	4.34	5.24
Net Sales	39.66	40.89	46.37
Other Operating Income	0.17	0.24	0.17
Total Operating Income	39.83	41.13	46.53
Operating Expenses	36.10	37.39	42.82
OPBDIT	3.73	3.74	3.72
Depreciation	0.50	0.70	0.77
OPBIT	3.23	3.04	2.95
Interest and Finance Charges	0.85	1.40	1.08
OPBT	2.38	1.64	1.86
Non Operating Income	0.08	0.11	0.12
PBT	2.46	1.76	1.98
Provision for Taxes	0.85	0.59	0.66
PAT	1.61	1.17	1.32

AMBIT SWITCHGEAR PRIVATE LIMITED

Annexure II: Summary of the Balance Sheet

Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
LIABILITIES			
EQUITY AND RESERVES	5.86	10.03	13.34
Share capital	3.00	4.50	5.30
Reserves and Surplus	2.86	5.53	8.04
Non-current liabilities	8.90	6.14	5.79
Long-Term Borrowings	8.79	5.99	5.30
Deferred tax Liabilities (Net)	0.02	0.02	0.06
Other Long Term liabilities	0.00	0.00	0.25
Long-Term Provisions	0.09	0.13	0.18
Current liabilities	13.83	15.12	14.61
Short-Term Borrowings	3.65	1.99	2.41
Current Portion Of Long Term Debt	1.04	1.35	1.45
Trade Payables	4.86	8.01	7.00
Other Current Liabilities	3.02	2.30	2.36
Short-Term Provisions	1.26	1.47	1.39
Total Liabilities	28.58	31.28	33.74
ASSETS			
Non-current assets	15.38	15.89	17.47
Net Fixed assets	13.68	13.30	15.74
Capital Work-In-Progress	0.02	0.69	0.00
Long Term Loans and Advances	1.08	1.21	1.72
Current assets	13.20	15.39	16.27
Inventories	4.58	8.49	7.07
Trade Receivables > Six Months	0.19	0.80	1.26
Trade Receivables < Six Months	3.79	3.88	4.41
Cash and Cash Equivalents	3.10	0.26	1.84
Short-Term Loans and Advances	1.52	1.95	1.67
Other Current Assets	0.02	0.02	0.03
Total Assets	28.58	31.28	33.74

AMBIT SWITCHGEAR PRIVATE LIMITED

Annexure III: Key Ratios

Key Ratios	Unit	FY12	FY13	FY14
Result Type		Audited	Audited	Audited
Total Debt	Rs. Crs.	13.48	9.33	9.16
Tangible Net Worth	Rs. Crs.	5.86	10.03	13.34
Total Debt/TNW	Times	2.30	0.93	0.69
TOL/TNW	Times	3.84	2.11	1.53
ISCR	Times	4.38	2.68	3.43
DSCR	Times	1.86	1.34	1.30
Net Cash Accruals/Total Debt	Times	0.16	0.20	0.23
Net Profit Margin	%	4.04	2.84	2.83
Operating Profit Margin	%	9.37	9.10	7.99
ROCE	%	26.48	15.70	14.06
Current Ratio	Times	0.95	1.02	1.11
Days Receivables	Days	30	39	41
Days Inventory	Days	44	68	71
Days Payable	Days	47	65	78
Conversion Cycle	Days	27	41	34