

Rating Report

Brickwork Ratings assigns ‘BWR BB’ & ‘BWR A4+’ for the Bank Loan Credit Facilities aggregating ₹ 12 Cr of Ami Tech (India) Pvt. Ltd.

Brickwork Ratings has assigned the following **Ratings**¹ for Bank Loan Facilities of Ami Tech (India) Pvt. Ltd. (*ATIPL* or “*the Company*”).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit (CC)	2.00	Long Term	BWR BB (BWR Double B) (Outlook: Stable)
Non Fund Based: Letter of Credit (LC)	10.00	Short Term	BWR A4+ (BWR A Four Plus)
Total	12.00	(INR Twelve Crore only)	

BWR has relied upon ATIPL’s audited financial results up to FY13, projected financials up to FY15 and the information/clarifications provided by the Company.

The ratings, inter alia, factor experience and qualifications of management, strong revenue visibility and operating profitability, quality of clientele, and financial assistance from group companies. The ratings, however, are constrained by ATIPL’s limited track record in automatic meter reader (AMR) segment, modest scale of operations, stressed working capital cycle on account of delayed receivable, and considerable losses in equity trading activity of the Company.

Company Background and Operations

Ami Tech (India) Private Limited (ATIPL) was incorporated in the year 1995 by its promoters and first generation entrepreneurs Mr. Paresh Merchant and Mr. Nikhil Merchant. It was initially formed to manufacture aluminum ingots and die-cast products. However, with a slowdown in automobile industry, it shifted its business focus in the year 2006 to become a product engineering company that is focused to deliver end to end solutions for automation in the power and utility space.

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

The Company presently manufactures different types of automatic meter reader (AMR). AMR is a technology of automatically collecting power consumption data from energy metering devices and transferring it to a central database for billing, troubleshooting, and analyzing. It is mainly installed in the substations. The Company also provides installation services.

Due to the acceptability and uniqueness of the product (AMR) in the market, the Company is able to command strong margins. The Company used to outsource manufacturing of its products under its supervision; whereas in FY13 it setup its own manufacturing unit in Baroda. The unit is currently operational at its full strength. Due to the 1st year of operation, high fixed cost led to drop in margins in FY13; the company also incurred a loss of ₹3.92 Cr in security trading in FY13 affecting substantially to the bottom line. The Company has pending orders worth ₹93 Cr indicating strong revenue visibility. All these orders are expected to be executed by Q2FY15.

The Company has credit facilities from Dena Bank (CC ₹2 Cr + LC ₹10 Cr) and from Axis Bank (CC ₹3 Cr + BG ₹10 Cr). CC facilities from both the banks are entirely utilised mainly on account of delayed payment from customers. Debtors outstanding more than 6 months as on 28/Feb/2014 are as high as ₹45.62 Cr. However, these debtors are mainly state government owned entities or private companies with good credit quality, reducing the risk of bad debts.

The Company's customer portfolio is moderately diversified, with an addition of some new customers and suppliers in FY13. The top 5 customers contributed to 67% of the Company's revenue for FY13. The top 5 suppliers account for over 65% of the material purchased in FY13. The portfolio, however, was largely concentrated on only 1-2 customers and suppliers in FY12.

The working capital cycle, although, is stretched due to delayed receivables; the Company's reliance over outside borrowing is minimal. Its borrowings, in order to support working capital cycle, are mainly from group companies such as Swan energy limited, Miri technologies private limited, and Parasmani merchandise private limited to the extent of ₹45.81 Cr as on 31/Mar/2013. All these borrowings, however, are interests bearing at the rate of 12%.

Management Profile

The Company is promoted by first generation entrepreneurs Mr. Paresh Merchant and Mr. Nikhil Merchant. It is presently managed by its well qualified and experienced directors Mrs. Aparna Paresh Merchant, Mrs. Dharmishta Tanna, and Mr. Jayaramakrishnan Kannan.

Mrs. Aparna Paresh Merchant has acquired postgraduate diploma in clinical analysis. She is actively associated with the company since the last 8 years and is looking after Planning, Administration, Liaising and Marketing.

Mrs. Dharmishta Tanna, B.A. and L.L.B., is associated with the company since last 20 years. She has 22 years of experience in drafting, conveyancing commercial law, litigation etc.

Mr. Jayaramakrishnan Kannan has around 33 years of experience in IT Industry. He has been with Tata Consultancy Services for the past 24 years holding various positions both in India and abroad.

Financial Performance

During the FY13, the Company's operating income increased to ₹45.11 Cr as against ₹38.52 Cr in FY12. As per provisional figures, for 9 months ended of FY14 it has achieved an operating income of ₹31.97 Cr. The Company presently has modest scale of operations, although expected to grow well with strong revenue visibility. Due to the 1st year of operation, high fixed cost led to drop in margins in FY13. The company also incurred a loss of Rs.3.92 Cr in security trading in FY13.

The Company commands strong operating margins (17% in FY13 and 25% in FY12) due to the acceptability and uniqueness of the product (AMR) in the market. The net profit margins of the business are low, however, are low and fell substantially in FY13 to 2.30% from 17.17% in FY12. This is due to the 1st year of operation of its Baroda manufacturing unit and also significant loss of ₹3.92 Cr in security trading in FY13. The interest coverage ratio accordingly reduced from 13.46 times in FY12 to 2.81 times in FY13.

The net worth as on 31/Mar/2013 stood at ₹19.04 Cr. The debt to equity, although, is at 2.62 times as on 31/Mar/2013; leverage is comfortable since majority of debt to the extent of ₹45.81 Cr is from group companies such as Swan energy limited, Miri technologies private limited, and Parasmani merchandise private limited.

Outlook

The outlook is Stable. The firm's ability to improve debtors' turnover, maintain strong operating margins & manage equity trading activity are the key rating sensitivity factors.

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Key Financials – Ami Tech (India) Private Limited

Annexure I: Abridged Balance Sheet (₹ Cr)

	FY 2011	FY 2012	FY 2013
Result Type	Audited		
Liabilities			
Equity and reserves	39.09	18.00	19.04
Share capital	2.00	2.45	2.45
Share Application money Pending allotment	41.20	0.00	0.00
Reserves and Surplus	-4.11	15.55	16.59
Non-current liabilities	0.00	44.54	45.90
Long-Term Borrowings	0.00	44.54	45.86
Current liabilities	10.48	3.59	18.13
Short-Term Borrowings	3.80	0.00	4.02
Current Portion Of Long Term Debt	0.00	0.01	0.01
Trade Payables	5.56	2.59	11.55
Other Current Liabilities	0.02	0.03	1.49
Short-Term Provisions	1.10	0.96	1.06
Total Liabilities	49.57	66.14	83.07
ASSETS			
Non-current assets	28.97	38.58	29.76
Net Fixed assets	1.57	4.22	9.46
Non-Current Investments	17.68	17.51	4.63
Deferred Tax Assets (Net)	0.20	0.20	0.00
Long Term Loans and Advances	9.52	16.65	15.67
Current assets	20.60	27.56	53.31
Inventories	0.08	0.24	0.83
Trade Receivables > Six Months	0.00	0.00	22.71
Trade Receivables < Six Months	14.45	21.03	22.10
Cash and Cash Equivalent	3.85	4.19	4.35
Short-Term Loans and Advances	2.10	2.01	3.23
Other Current Assets	0.13	0.08	0.08
Total Assets	49.57	66.14	83.07

Annexure II: Abridged Profit and Loss (₹ Cr)

	FY 2011	FY 2012	FY 2013
Result Type	Audited		
Total Operating Income	31.58	38.52	45.11
Operating Expenses	24.21	28.78	37.32
OPBDIT	7.37	9.74	7.79
Depreciation/Amortization/Impairment	0.09	0.31	0.61
OPBIT	7.28	9.43	7.18
Interest and Finance Charges	0.11	0.72	2.77
OPBT	7.18	8.71	4.41
Non-Operating Income(Expenses)	1.55	1.02	-2.82
PBT	8.73	9.73	1.59
Provision for Taxes	2.00	3.12	0.55
PAT	6.73	6.61	1.04

Annexure III: Ratio Analysis*

*Calculation has been done based on BWR ratio definition

Key Ratios	FY 2011	FY 2012	FY 2013
Tangible Net worth (₹ Cr)	39.09	18.00	19.04
D/E Ratio (x)	0.10	2.47	2.62
Interest Coverage (x)	70.08	13.46	2.81
Debt Service Coverage (x)	65.80	10.57	1.59
Net Profit Margin (%)	21.31	17.17	2.30
Net Cash Accruals / Total Debt (x)	1.79	0.16	0.04
ROCE (%)	17.06	17.95	10.93
Current Ratio (x)	1.97	7.67	2.94