

Rating Report

Brickwork Ratings assigns 'BWR B' for the bank loan facilities of ₹ 11.85 Cr of Amman Industries.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan facilities of Amman Industries (AI or the 'Firm') sanctioned by Corporation Bank.

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based			
Corp Vyapar Over Draft (CVPOD)	11.85	Long Term	BWR B (Pronounced BWR single B) (Outlook:Stable)
Total	11.85	(INR Eleven Crores & Eighty Five Lakhs only)	

BWR has principally relied upon the audited financial results up to FY14, projected financials for FY15 and information/ clarifications provided by the Firm's management.

The rating factors in the extensive experience & support of the promoters who have been active in the timber trading business for several years, the network of established customers and overseas/domestic suppliers, increase in firm's revenue in FY14 compared to previous years and the locational advantage due to firm being near to a port town enabling ease in procuring of imported timber.

However, the rating is constrained by the firm's considerably high gearing levels coupled with a low net worth, susceptibility to volatility in raw material prices and exchange rate fluctuation risks especially since raw material is procured through imports as well as local sources, low profitability margins which are industry inherent, working capital intensive nature of operations and intense competition from organized as well as unorganized players.

Background:

Amman Industries was established on 15 July 2002 by Mr. Jeethendra Patel as a proprietorship concern. The firm is engaged in the import and trading of round timber logs. AI also undertakes bulk orders for making wooden doors, furniture and fixtures for which it recruits contract based carpenters. Its main facility is located at Puducherry (Pondicherry) with the nearby Tuticorin port facilitating easy imports of timber.

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

The firm's main products are timber logs of a variety of hardwood species like Teak, Silver Oak, Padouk, Kwila, Pyinkado, Sal etc. which are imported from Myanmar, Malaysia, Indonesia, Papua New Guinea, New Zealand and other African and South American countries as well.

Financial Performance:

The net sales of the Firm increased considerably in FY14 at ₹ 60.21 Crores compared to ₹ 8.87 Crores in FY13 and operating profit increased to ₹ 0.88 Crores as against ₹ 0.17 Crores in FY13. There is an increase in net profits at ₹ 0.26 Crores in FY14 compared to ₹ 0.11 Crores in FY13. Debt equity ratio worsened to 27.49 times in FY14 compared to 1.32 times in FY13. As on FY14, the tangible net worth of the Firm stood at ₹ 0.46 Crores. According to the management's provisional figures for FY15 till 31st January, 2015, AI has achieved the revenues of ~ ₹ 61.91 Crores which is higher than the projected amount of ₹ 60.50 Crores.

Rating Outlook:

The outlook for Amman Industries is expected to be stable in the coming year. Going forward, the ability of the Firm to improve its profitability considering the intense competition in the sector, improve its net worth levels while maintaining a comfortable debt equity position and manage its working capital efficiently will be the key rating sensitivities.

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Amman Industries
Annexure 1: Balance Sheet

Balance Sheet				
Crores	FY12	FY13	FY14	FY15
Result Type	Audited	Audited	Audited	Projected
Liabilities				
EQUITY AND RESERVES	0.32	0.32	0.46	0.64
Share capital	0.20	0.21	0.20	0.40
Reserves and Surplus	0.12	0.11	0.26	0.24
Non-current liabilities	0.00	0.00	0.00	0.00
Long-Term Borrowings	0.00	0.00	0.00	0.00
Long-Term Provisions	0.00	0.00	0.00	0.00
Current liabilities	6.47	13.59	24.29	15.00
Short-Term Borrowings	0.78	0.42	12.69	11.91
Current Portion Of Long Term Debt	0.00	0.00	0.00	0.00
Trade Payables	5.66	13.16	11.59	3.09
Short-Term Provisions	0.03	0.01	0.01	0.00
Total Liabilities	6.79	13.91	24.75	15.64
ASSETS				
Non-current assets	0.07	1.23	1.33	0.14
Net Fixed assets	0.07	0.08	0.16	0.14
Long Term Loans and Advances	0.00	1.15	1.17	0.00
Current assets	6.72	12.68	23.43	15.50
Current Investments	0.00	0.00	0.00	0.00
Inventories	1.29	1.08	2.87	3.00
Trade Receivables > Six Months	0.00	0.00	0.00	0.00
Trade Receivables < Six Months	5.14	11.38	19.94	12.43
Cash and Cash Equivalents	0.23	0.22	0.60	0.06
Short-Term Loans and Advances	0.00	0.00	0.00	0.00
Other Current Assets	0.07	0.00	0.00	0.00
Total Assets	6.79	13.91	24.75	15.64

Amman Industries

Annexure 2: Profit & Loss Statement

Profit and Loss Account				
Crores	FY12	FY13	FY14	FY15
Result Type	Audited	Audited	Audited	Projected
Gross Sales	6.06	8.89	60.29	60.50
Excise Duty/Sales Tax	0.15	0.01	0.08	0.00
Net Sales	5.90	8.87	60.21	60.50
Total Operating Income	5.90	8.87	60.21	60.50
Raw Material Consumed	6.02	8.17	60.95	58.72
Change In Inventory (Increase)/Decrease	-0.78	0.21	-1.80	-0.13
Traded Goods Purchased	0.02	0.00	0.00	0.00
Employee Cost	0.03	0.03	0.03	0.03
Manufacturing Expenses	0.24	0.06	0.07	0.00
Cost of Goods Sold	5.54	8.46	59.25	58.62
Selling, General and other Administrative expenses	0.18	0.24	0.09	0.09
Operating Expenses	5.71	8.70	59.34	58.71
OPBDIT	0.19	0.17	0.88	1.79
Depreciation/Amortization/Impairment	0.03	0.02	0.02	0.03
OPBIT	0.16	0.15	0.85	1.76
Interest and Finance Charges	0.07	0.06	0.60	1.52
OPBT	0.08	0.09	0.25	0.24
Non Operating Income(Expenses)	0.03	0.02	0.00	0.00
PBT	0.12	0.11	0.26	0.24
Provision for Taxes	0.00	0.00	0.00	0.00
PAT	0.12	0.11	0.26	0.24

Amman Industries

Annexure 3: Financial Ratios

Key Ratios	FY12	FY13	FY14	FY15
	Audited	Audited	Audited	Projected
Long Term Borrowings	0.00	0.00	0.00	0.00
Short Term Borrowings	0.78	0.42	12.69	11.91
Current Portion Of Long Term Debt	0.00	0.00	0.00	0.00
Total Debt	0.78	0.42	12.69	11.91
Total Debt (Analyzed)	0.78	0.42	12.69	11.91
Tangible Net Worth	0.32	0.32	0.46	0.64
Tangible Net Worth (Analyzed)	0.32	0.32	0.46	0.64
Capital Employed	1.10	0.74	13.16	12.55
Total Debt/TNW	2.44	1.32	27.49	18.68
Total Debt/TNW(Analyzed)	2.44	1.32	27.49	18.68
Long Term Debt/TNW	0.00	0.00	0.00	0.00
TOL/TNW	20.28	42.57	52.61	23.53
ISCR	2.53	2.96	1.46	1.17
DSCR	2.99	3.31	1.47	1.17
DSCR(Analyzed)	2.99	3.31	-3.66	1.08
Net Cash Accruals/Total Debt	0.19	0.32	0.02	0.02
Net Profit Margin	2.02	1.25	0.43	0.39
Operating Profit Margin	3.21	1.93	1.46	2.95
ROCE	14.55	16.23	12.30	13.69
Current Ratio	1.04	0.93	0.96	1.03
Days Receivables	317.62	339.75	94.94	97.66
Days Inventory	84.92	51.02	12.17	18.29
Days Payable	342.31	420.70	74.05	45.53
Conversion Cycle	60.24	29.93	33.06	70.42