

February 05, 2016

Facilities	Amount (Rs. Crore)	Ratings
Working Capital Term Loan	55.97	SMERA B-/Stable (Assigned)
Funded Interest on Term Loan	5.94	SMERA B-/Stable (Assigned)
Packing Credit	16.10	SMERA A4 (Assigned)
Bank Guarantee	0.81	SMERA A4 (Assigned)
Short Term Facility (Proposed)	6.18	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Ambo Exports Industries Limited (AEIL). The outlook is '**Stable**'. The ratings are constrained by the company's below average financial profile marked by high gearing, weak debt protection metrics and working capital intensive nature of business. The ratings are also constrained by high debt obligation as against his accrual, stressed liquidity position marked by almost 100 per cent utilization of working capital limit and agro climatic risk. However, the ratings derive comfort from the experienced management, long track record of operations and modest scale of business.

For the rating process, SMERA has consolidated the financial risk profiles of Ambo Export Industries Limited and Anita Exports together referred to as Ambo Group. The consolidation is in view of the common ownership and operational linkages within the group.

Outlook: Stable

SMERA expects AEIL to maintain a stable business risk profile in the medium term backed by an experienced management. The outlook in the medium to long term would be governed by the company's ability to ensure substantial improvement in margins and increase in scale of operations. The outlook may be revised to 'Positive' in case of improvement in revenue and working capital management leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' if AEIL's financial risk profile deteriorates further due to increasing working capital requirements or debt funded capex.

Rating Sensitivity Factors

- Scaling up of operations and improvement in profitability thus leading to increased accruals
- Improvement in capital structure

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the Company

Established in 1992, AEIL is a Kolkata-based company engaged in the blending, cleaning, packing and export of commodities such as maize, rice and dal to Russia, South Africa, and Pakistan among others. The overall operations of the company are managed by O M Prakash Agarwal, Director and the administrative office is at Kolkata.

For FY2014-15, AEIL reported profit after tax (PAT) of Rs. (9.78) crore on total operating income of Rs.113.49 crore, as compared with PAT of Rs. (0.28) crore on total operating income of Rs.169.94 crore in FY2013-14.

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