

Press Release

24 March, 2017

Ambo Exports Industries Limited

Rating Downgraded

Total Bank Facilities Rated *	Rs.85.00 Cr.
Long Term Rating	SMERA D
Short Term	SMERA D

Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA D' (read as SMERA D)** and short term rating of '**SMERA D' (read as SMERA D)** on the Rs. 85.00 crore bank facilities of Ambo Exports Industries Limited.

Established in 1992, Ambo Exports Industries Limited (AEIL) is a Kolkata-based company engaged in the blending, cleaning, packing and export of commodities such as maize, rice and dal. These are exported to Russia, South Africa, and Pakistan among others. The overall operations are managed by O. M Prakash Agarwal.

Key Rating Drivers

Strengths

- **Experienced management**

The Director, Mr O.M. Prakash Agarwal has more than two decades of experience in the blending, cleaning, packing and export of commodities such as maize, rice and dal.

Weaknesses

- **Delays in repayment of working capital term loan**

The company has working capital term loan of Rs. 55.97 cr which is a restructured facility. The restructuring was approved in August' 15 and repayment was scheduled to commence from December, '15. However, the company has been irregular in repaying its debt obligations and has been declared an NPA.

- **Shut down of operations to a large extent**

AEIL's revenues declined to Rs.28.70 cr in FY2016 as against Rs. 126.31 cr in FY2015 owing to shut down of 80 per cent of operations as a result of shortage of working capital funds and inability to realise money from outstanding debtors.

- **Weak financial risk profile**

The weak financial risk profile of AEIL is marked by low net worth base of Rs 10.93 cr, high gearing of

7.61 times, negative interest coverage of 0.11 times and negative NCA/TD of 0.09 times as on 31st March, 2016.

• **Negative profitability margin**

The EBITDA margin stood at (3.39) per cent in FY2016 as against 2.81 per cent in FY2014. The Negative operating margins are on account of fixed overhead cost that the company had to incur against its declining revenue of Rs 20.95 crs in FY2016 as against Rs 169.94 in FY2014. The PAT margin stands at (35.73) per cent for FY2016 compared to (0.16) per cent in FY2014. The Negative profit margins are on account of high interest cost that the group had to serve for its debt obligation

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profiles of AEIL.

About the Rated Entity - Key Financials

For FY2016, AEIL reported net loss of Rs. 7.49 cr on total operating income of Rs. 20.95 cr, as compared with net loss of Rs. 9.78 cr on total operating income of Rs.113.49 cr in FY2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Feb-2016	Working Capital Term loan	Long Term	INR 55.97	SMERA B- / Stable
	Funded Interest on Term loan	Long Term	INR 5.94	SMERA B- / Stable
	Packing Credit	Short Term	INR 16.1	SMERA A4
	Bank Guarantee	Short Term	INR 0.81	SMERA A4
	Proposed Short Term Facility	Short Term	INR 6.18	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	55.97	SMERA D
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.81	SMERA D
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	16.10	SMERA D
Proposed	Not Applicable	Not Applicable	Not Applicable	6.18	SMERA D
Funded Interest on Term loan	Not Applicable	Not Applicable	Not Applicable	5.94	SMERA D

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ABOUT SMERA

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