

Press Release

Ambit Switchgear Private Limited

12 April, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 32.00 Cr. (Enhanced from Rs. 14.50 Cr)
Long Term Rating	SMERA BB/Stable (Downgraded)
Short Term Rating	A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term to '**SMERA BB**' (read as SMERA double B) from '**SMERA BB+**' (read as SMERA double B plus) and reaffirmed short term rating of '**SMERA A4+**' (read as SMERA A four plus) on enhanced amount of Rs. 32.00 crore bank facilities of Ambit Switchgear Private Limited (ASPL). The outlook is '**Stable**'.

The Uttar Pradesh-based Ambit Switchgear Private Limited (ASPL) was incorporated in 2005 by Mr Rakesh Jain and Mr. Anand Prakash Singhal to manufacture electrical panels such as power control centres, motor control centres, switchgear panels and compact substations.

Key rating drivers**Strengths****Experienced management:**

The directors Mr. Rakesh Jain, Mr. Anand P. Singhal and Mr. Haish K. Wadva have an experience of more than three decades in the electrical engineering industry. The company is equally supported by latest technology and a skilled workforce of around 300 engineers for quality and precision.

Reputed clientele

ASPL provides its services and supplies its products to a reputed clientele like Maruti Suzuki India, TATA Motors, Reliance Industries Limited, Indian Oil, HP, Nestle, Vodafone, Berger Paints, JK Tyre, Videocon, Ericsson, Larsen & Toubro to name a few.

Average financial risk profile

ASPL has average financial risk profile marked by tangible net worth of Rs. 16.08 crore as on 31st March, 2017 as against Rs. 15.12 crore as on 31st March, 2016. The gearing stood at 1.75 times as on 31st March, 2017 as against 0.40 times as on 31st March, 2016. The debt of Rs. 28.17 crore mainly consists of term loans of Rs. 18.01 crore, unsecured loans of Rs. 5.88 crore and working capital borrowings of Rs. 2.29 crore as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 3.16 times for FY2017 as against 3.71 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.13 times for FY 2017 as against 1.19 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.24 times as on 31st March, 2017 as

against 1.54 times as on 31st March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31st March, 2017 as against 0.32 times as on 31st March, 2016.

Diversified portfolio of products:

The company manufactures various types of electrical panel products. The products include low voltage electrical panels, high voltage electrical panels, package substations, solar products, DG synchronization solutions, ATS by pass solution etc. ASPL is also going to start manufacturing solar panels to diversify the product range.

Weaknesses

Working capital intensive operations

ASPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 206 days in FY2017 compared to 173 days in FY2016. The GCA days are mainly dominated by high inventory days of 104 days in FY2017 compared to 95 days in FY2016. Further for the past six months the cash credit utilization is around 95 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Highly competitive industry marked by tender based nature of business

The company's performance is susceptible to the tender based nature of activities and intense competition among other players bidding for contracts.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of ASPL to arrive at the rating.

Outlook – Stable

SMERA believes that ASPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' if the company registers strong growth in scale of operations while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure or stretch in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	51.23	44.76	41.71
EBITDA	Rs. Cr.	3.23	3.30	3.62
PAT	Rs. Cr.	0.94	0.93	0.90
EBITDA Margin	(%)	6.31	7.38	8.69
PAT Margin	(%)	1.83	2.08	2.16
ROCE	(%)	7.38	10.92	21.94
Total Debt/Tangible Net Worth	Times	1.75	0.40	0.54
PBDIT/Interest	Times	3.16	3.71	3.53
Total Debt/PBDIT	Times	8.58	1.81	2.08

Gross Current Assets (Days)	Days	206	173	166
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Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
20-Jul-2017	Cash Credit	Long Term	3.75	SMERA BB+ (Indicative)
	Term loans	Long Term	3.85	SMERA BB+ (Indicative)
	Bank Guarantee	Short Term	5.00	SMERA A4+ (Indicative)
	Letter Of Credit	Short Term	1.00	SMERA A4+ (Indicative)
	Long Term Bank Facilities (Proposed)	Long Term	0.90	SMERA BB+ (Indicative)
04-Apr-2016	Cash Credit	Long Term	3.75	SMERA BB+/Stable (Assigned)
	Term loans	Long Term	3.85	SMERA BB+/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	SMERA A4+ (Assigned)
	Letter Of Credit	Short Term	1.00	SMERA A4+ (Assigned)
	Long Term Bank Facilities (Proposed)	Long Term	0.90	SMERA BB+/Stable (Assigned)

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB/ Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BB/ Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+ (Reaffirmed)
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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