

Ambika Overseas (AO)

Ambika Overseas: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	7.00	SMERA BB-/Stable (Assigned)
Packing Credit*	9.00	SMERA A4+ (Assigned)
Foreign Bill Purchase*	1.00	SMERA A4+ (Assigned)
Inland/Foreign Letter of Credit	1.00	SMERA A4+ (Assigned)

*Ceiling for export limit Rs.10.00 crore

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.18.00 crore bank facilities of Ambika Overseas (AO). The outlook is '**Stable**'.

The ratings derive comfort from the firm's experienced management and moderate financial profile marked by comfortable gearing and moderate coverage ratio. However, the ratings are constrained by the modest scale of operations and foreign exchange fluctuation risk. SMERA also notes that the firm operates in a highly competitive industrial machine tool industry.

Ambika Overseas, a partnership concern established in 1999 is engaged in the manufacture and export of hand tools. The firm was promoted by Mr. Mankaran Bhandari, Mr. Randhir Bhandari and Mr. Sameer Bhandari who possess experience of two decades in the hand tools industry. The moderate financial profile of the firm is marked by comfortable gearing of 0.94 times in FY2016 as compared to 0.78 times in FY2015. The interest coverage ratio stands moderate at 1.57 times in both FY2016 and FY2015. The profitability has been moderate at 3.55 percent in FY2016 as compared to 3.37 percent in FY2015.

However, the firm has modest scale of operations marked by operating revenue of Rs.28.78 crore in FY2016 as compared to Rs.35.79 crore in FY2015. The firm procures raw material from the local market and sells the final product across India and also exports to Poland, Greece, Germany and others. Thus the profitability margins remain susceptible to fluctuations in forex rates. Also the firm operates in an intensely competitive segment of the industrial machine tools segment.

Rating Sensitivity Factors

- Improvement in revenue while maintaining profitability margins
- Improving the working capital cycle

Outlook - Stable

SMERA believes that Ambika Overseas will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant and sustainable improvement in operating income while maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the working capital cycle, or if the firm undertakes debt funded capital expansion.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

The Punjab-based Ambika Overseas was established in 1999. The firm is engaged in the manufacture of hand tools such as spanners, pliers, punches and hammer and has an installed capacity of 2400 tons per year. The firm purchases raw material - iron and steel from the local market and sells its products in the domestic as well as the international market - Poland, Europe, Greece to name a few.

For FY2016, the firm reported profit after tax (PAT) of Rs.1.02 crore on operating income of Rs.28.78 crore, as compared with PAT of Rs.1.21 crore on operating income of Rs.35.79 crore in FY2015. The net worth stood at Rs.18.37 crore as on March 31, 2016 against Rs.21.32 crore a year earlier.

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ABOUT SMERA

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