

Press Release

Ambika Overseas (AO)

March 28, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs 18.00 Crore
Long Term Rating	SMERA BB-/Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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 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.

Key rating drivers

Strengths

• Experienced management

Ambika Overseas (AO) was formed in the year 1999 and is engaged in the manufacturing 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.

• Moderate financial riskprofile

The firm has moderate financial risk profile marked by net worth of Rs. 20.49 crore as on 31 March, 2017 as against Rs.18.37 crore as on 31 March, 2016. The gearing stood moderate at 0.80 times as on 31 March, 2017 as against 0.94 times as on 31 March, 2016. The Interest Coverage Ratio stood at 1.53 times in FY2017 as against 1.57 times in FY2016. The net cash accruals stood at 0.88 crore in FY2017 and NCA/TD at 0.05 times in FY2017.

• Wide geographical diversification

The company has wide geographical presence and it exports its product to countries like Poland, Greece, Germany, Turkey and others, etc.

Weaknesses

- **Small scale of operation**

AO has a long track of 19 years in the machine tool industry but reflects small scale of operations marked by a topline of Rs.23.36 crore in FY2017 as compared to Rs.28.78 crore in FY2016.

- **Highly competitive and fragmented nature of industry**

AO's is mainly engaged in manufacturing of hand tools. The company operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered standalone business and financial risk profile of AO for arriving at this rating.

Outlook- Stable

SMERA believes AO's will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to "Positive" in case the company registers significant and sustainable improvement in operating income. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.36	28.78	35.79
EBITDA	Rs. Cr.	1.94	2.70	3.29
PAT	Rs. Cr.	0.88	1.02	1.21
EBITDA Margin	(%)	8.30	9.37	9.20
PAT Margin	(%)	3.77	3.55	3.37
ROCE	(%)	7.04	7.60	8.77
Total Debt/Tangible Net Worth	Times	0.80	0.94	0.78
PBDIT/Interest	Times	1.53	1.57	1.57
Total Debt/PBDIT	Times	6.39	6.19	5.03
Gross Current Assets (Days)	Days	449	358	269

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
20th Feb 18	Cash Credit	Long Term	7.00	SMERA BB-/Stable (Indicative)
	Packing Credit	Short Term	9.00	SMERA A4+(Indicative)
	Bill Discounting	Short Term	1.00	SMERA A4+ (Indicative)
	Letter of Credit	Short Term	1.00	SMERA A4+ (Indicative)
14th Dec 16	Cash Credit	Long Term	7.00	SMERA BB-/Stable (Assigned)
	Packing Credit	Short Term	9.00	SMERA A4+ (Assigned)
	Bill Discounting	Short Term	1.00	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB-/Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4+ (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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