

Press Release

AMBALA COACH BUILDERS

03 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.40 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 7.40 crore bank facilities of AMBALA COACH BUILDERS. The outlook is '**Stable**'.

Ambala Coach Builders (ACB), established in 1973 is a Haryana- based partnership firm led by Mr. Ashok Kr. Dhamija, Mr. Rajendra Kr. Dhamija and Mr. Harish Kr. Dhamija. The firm is engaged in the manufacturing of customised fire handling coaches such as fire water trucks, fire fighting portable pumps and trailer units mainly for state governments. Apart from procuring business through tenders in the domestic market, the firm also exports its products to Bangladesh, Sri Lanka, Nepal to name a few.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Ambala Coach Builders, established in 1973 was established by Mr. Ashok Kr. Dhamija, Mr. Rajendra Kr. Dhamija and Mr. Harish Kr. Dhamija who possess experience of over four decades in the engineering equipments industry. Such extensive experience has helped the firm develop healthy relations with customers and suppliers.

- **Comfortable financial risk profile**

The financial risk profile of the firm is marked by healthy networth of Rs.6.45 crore as on 31 March, 2017 compared to Rs.5.47 crore as on 31 March, 2016. The gearing stood comfortable at 0.04 times as on 31 March, 2017 as against 0.07 times in the previous year. The low gearing is on account of healthy networth of Rs.6.45 crore as against total debt of Rs.0.25 crore in FY2016-17. The total debt includes term loan of Rs.0.01 crore and unsecured loan of Rs. 0.24 crore. The interest coverage ratio stood healthy at 2.25 times in FY2016-17 as well as in FY2015-16 respectively. The net cash accrual by total debt (NCA/TD) stood at 3.52 times in FY2017 compared to 2.58 times in FY2016.

Weaknesses

- **Moderate scale of operations**

The scale of operations of the firm stands modest with operating income of Rs.14.22 crore in FY2017 compared to Rs.17.85 crore in FY2016. Further, the firm has registered operating income of Rs.6.50 crore till 30th September, 2017 (Provisional).

- **Competitive and fragmented industry**

The firm operates in a highly fragmented industry wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA Ratings Limited

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059
 CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that the outlook of the firm will remain stable and the firm will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm is able to maintain stable operating margins and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2017, the firm reported profit after tax (PAT) of Rs.0.81 crore on operating income of Rs.14.22 crore, compared to PAT of Rs.0.84 crore on operating income of Rs.17.85 crore in FY2016. The net worth stood at Rs.6.45 crore as on 31 March, 2017 against Rs.5.47 crore a year earlier.

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

NA

Any other information

NA

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)

Not Applicable

***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	2.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA BB- / Stable

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ABOUT SMERA

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