

Press Release

Ambala Coach Builders

December 07, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 9.40 Cr. (Enhanced from Rs. 7.40 crore)
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 9.18 crore bank facilities and assigned the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 0.22 crore bank facilities of Ambala Coach Builders (ACB). The outlook is '**Stable**'.

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, firefighting portable pumps and trailer units mainly for state governments. Apart from local business which is through tenders, the firm also exports its products to countries such as Bangladesh, Sri Lanka, Nepal to name a few.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ACB to arrive at this rating.

Key Rating Drivers

Strengths

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

ACB was established in 1973 by Mr. Ashok Kr. Dhamija, Mr. Rajendra Kr. Dhamija and Mr. Harish Kr. Dhamija 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 comfortable marked by net worth of Rs.7.21 crore as on 31 March, 2018 compared to Rs.6.45 crore as on 31 March, 2017. The gearing (debt-equity) stood comfortable at 0.37 times as on 31 March, 2018 as against 0.04 times in the previous year. The total debt of Rs.2.69 crore as on 31 March, 2018 includes term loan of Rs.0.35 crore, unsecured loan of Rs.0.35 crore and working capital loan of Rs.1.99 crore. The interest coverage ratio (ICR) stood healthy at 4.65 times in FY2017-18 as against 8.80 times in FY2016-17. The net cash accrual to total debt (NCA/TD) stood at 0.35 times in FY2018 as against 3.54 times in FY2017. Acuité believes the financial risk profile of the firm to remain comfortable backed by moderate net cash accruals and in the absence of any major debt funded capex.

Weaknesses

- **Moderate scale of operations**

The firm has been in this line of business for over 5 decades, the firm has registered revenues of Rs.14.87 crore in FY2018 over Rs.14.24 crore in the previous year. The operating margins have remained moderate at 5.64 percent in FY2018 which has improved from 4.42 percent in FY2017.

• **Working capital intensive operations**

ACB operates in working capital intensive nature of operations marked by Gross Current Assets (GCA) of 194 days in FY2018 as against 110 days in FY2017. Inventory days stood at 7 in FY2018 as against 8 days in FY2017. The firm had debtors outstanding of 62 days in FY2018 as against 25 days in FY2017. Acuité believes that working capital operations will remain intensive due to the nature of business.

• **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.

Outlook: Stable

Acuité believes that the outlook on ACB 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.87	14.24	17.85
EBITDA	Rs. Cr.	0.84	0.63	0.85
PAT	Rs. Cr.	0.83	0.81	0.84
EBITDA Margin	(%)	5.64	4.42	4.74
PAT Margin	(%)	5.59	5.70	4.70
ROCE	(%)	13.14	14.80	39.38
Total Debt/Tangible Net Worth	Times	0.37	0.04	0.07
PBDIT/Interest	Times	4.65	8.80	4.03
Total Debt/PBDIT	Times	2.22	0.25	0.29
Gross Current Assets (Days)	Days	194	110	114

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
3rd Nov 17	Cash Credit	Long term	2.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long term	0.40	ACUITE 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.22	ACUITE BB- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.18 (Enhanced from Rs.0.40 crore)	ACUITE BB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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