



SMERA RATINGS LIMITED

Ashoka Machine Tools International Private Limited (AMTIPL)

Rating Rationale

January 14, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	7.25	SMERA B/Stable (Assigned)
Term Loan	0.40	SMERA B/Stable(Assigned)
Bank Guarantee	0.75	SMERA A4 (Assigned)

**Includes a sublimit of Rs.1.00 crore for packing credit.*

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA B)** and a short-term rating of '**SMERA A4' (read as SMERA A4)** to the Rs.8.40 crore bank facilities of Ashoka Machine Tools International Private Limited (AMTIPL). The outlook is '**Stable**'. The ratings are constrained by the company's declining profit margins, working capital-intensive operations and moderate debt protection metrics. The ratings are also constrained by the company's exposure to intense competition prevalent in the heavy engineering industry. However, the ratings are supported by the company's healthy revenue growth and experienced management.

AMTIPL, incorporated in 1982, is a Delhi-based company engaged in manufacturing of gears, gear boxes, pinion parts, metal roller parts and fabricated components used in cement plants, steel plants and mining operations. AMTIPL's operating profit margin declined from 6.10 per cent in FY2011-12 (refers to financial year, April 01 to March 31) to 3.98 per cent in FY2012-13 due to increase in manufacturing and administrative cost. The company's net profit margin is low at 0.32 per cent in FY2012-13. AMTIPL operations are working capital-intensive as reflected in a stretched working capital cycle of 128 days in FY2012-13. Further, the company's working capital limit utilisation is high during May 2013 to October 2013. AMTIPL has moderate debt protection metrics with leverage of 2.68 times as on as on March 31, 2013 and interest coverage ratio of 1.41 times in FY2012-13. The company's total debt (of Rs.11.29 crore as on March 31, 2013) includes interest-free unsecured loans of Rs.3.88 crore from promoters. AMTIPL faces intense competition from large and medium-sized players in the heavy engineering industry.

The company's revenues increased at a healthy compound annual growth rate (CAGR) of 21 per cent during the past five years. AMTIPL reported revenues of Rs.23.50 crore during April 2013 to November 2013, as compared with revenues of Rs.33.81 crore in FY2012-13. The company has pending orders worth Rs.7.00 crore (as on January 08, 2014), which indicate healthy revenue visibility for FY2013-14. AMTIPL has reputed clientele, which includes Bhushan Power & Steel Limited, Tata Sponge Iron Ltd., Reliance Industries Limited and Electrothem (India) Ltd.

AMTIPL benefits from its experienced management. Mr. Ashwani Khanna, Director of AMTIPL, has around three decades of experience in the heavy engineering industry. Mr. Kunal Khanna (son of Mr. Ashwani Khanna) has around five years of experience in the company's line of business.

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*Rating
Rationale*

Outlook — Stable

SMERA believes that the outlook on AMTIPL's rated facilities will remain stable over the medium term on account of the company's experienced management and healthy revenue visibility. The outlook may be revised to 'Positive' in case the company expands its scale of operations while registering better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues and profit margins or in case of deterioration in the company's liquidity position.

About the company

AMTIPL, incorporated in 1982, is a Delhi-based company promoted by Mr. Ashwani Khanna and Mr. Mukesh Khanna. AMTIPL is engaged in manufacturing of gears, gear boxes, pinion parts, metal roller parts and fabricated components. The company has a manufacturing unit in Sikandrabad, Noida.

For FY2012-13, AMTIPL reported PAT of Rs.0.11 crore on operating income of Rs.33.81 crore, as compared with PAT of Rs.0.11 crore on operating income of Rs.24.00 crore for FY2011-12. The company's net worth stood at Rs.4.21 crore as on March 31, 2013, as compared with Rs.3.10 crore a year earlier. AMTIPL reported revenues of Rs.23.50 crore during April 2013 to November 2013.

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