

March 10, 2017

AMA India Enterprises Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Long-term Fund-based – Term loan	0.45	[ICRA]B+ (stable), reaffirmed
Long-term Fund-based – Cash credit	9.50	[ICRA]B+ (stable), reaffirmed
Total	9.95	

*Instrument details are provided in Annexure

Rating action

ICRA has reaffirmed its long-term rating of [ICRA]B+ (pronounced ICRA B plus) on the Rs. 9.95-crore fund-based bank facilities of AMA India Enterprises Private Limited (AIEPL). The outlook on the long-term rating is ‘Stable’.

Detailed Rationale

ICRA’s rating reaffirmation takes into account the 14% decline in the company’s operating income in FY2016 due to lower sales volumes as well as sales realisation on account of adverse movements in currency fluctuation. Due to limited bargaining power, the company was not able to revise its realisation upwards, which also impacted the profitability. The decline in profitability also affected the debt coverage indicators of the company in FY2016. ICRA also takes note of the improvement in the operating margin of the company in the current fiscal year due to price revisions as well as the favourable exchange movement in FY2017 and automation of some processes, which were previously done manually, thereby improving the overall efficiency of the company’s manufacturing process. The company has also increased its focus on the domestic market. ICRA’s rating continues to take into consideration the modest scale of operations along with the vulnerability of AIEPL’s profitability to foreign exchange fluctuation risk.

The ratings continue to factor in the technical support available to the company from its group companies - the company is a part of the AMA Group, which has a global presence in the outfitting and maintaining off-highway vehicles, agricultural and gardening machines industry.

The company’s ability to profitably scale up its operations as well as diversify its customer and improve margins would remain the key rating sensitivity.

Key Rating Drivers

Credit Strengths

- Part of Italy-based AMA Group, which provides sales, design and marketing support
- Increased focus on domestic customers likely to help increase scale of operations

Credit Weaknesses

- High geographical concentration as all exports are made to the European market; limited success in efforts to increase presence in the domestic market
- Exposure to foreign exchange fluctuation risk
- Depreciation of Euro coupled with downward price revision led to a decline in profitability of the company in FY2016, however, the operating profitability improved in FY2017

Detailed description of key rating drivers:

AMA Enterprises India Private Limited is involved in the manufacturing of tractor linkage parts. Initially, the company was only focused on the export market with majority of sales being made to its group company in Italy. From 2011 however, the company has been also actively pursuing business in the domestic market.

AIEPL is a part of AMA S.P.A, Italy. The company obtains sufficient help on technical, marketing and support services from its group companies. The company has also been actively pursuing business in the domestic market. The company's domestic sales increased from Rs 0.67 crore in FY2016 to Rs 1.29 crore in the current year. Increase in domestic sales is likely to support the company's profitability going forward.

Majority of the company's sales are made to its group company AMA S.P.A, Italy, thereby increasing the customer concentration risk of the company. The company's operating income declined by 14% in FY2016 due to depreciation of Euro, leading to a decline in sales realisation of the company. The operating margins of the company also declined in FY2016 due to downward price revision by the company because of stiff competition from the unorganised market.

Analytical approach: Standalone

Links to applicable criteria:

Corporate Credit Rating –A Note on Methodology
Rating methodology for auto component manufacturers

About the company:

Incorporated in 1999, AMA Enterprises India Private Limited is engaged in the manufacturing of tractor linkage parts. The company is a part of AMA S.p.a., Italy. It started as a joint venture between Mr. Alessandro Malavolti (50% shareholding) and Mr. R.K. Magoo & Mr. M.K.Chopra (together 50% shareholding). Its manufacturing plant is at Doraha in Ludhiana. Later in 2009, Mr. Malavolti bought out the 25% stake of Mr. M.K. Chopra, thus increasing his shareholding to 75%.

AIEPL reported an operating income (OI) of Rs. 15.72 crore and a net loss of Rs. 0.62 crore in FY2016 as compared to an OI of Rs 18.20 crore and a net profit of Rs 0.11 crore in the previous year.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating (2017)			Chronology of Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crores)	Date & Rating	Date & Rating in FY2016	Date & Rating in FY2015	Date & Rating in FY2015	
				March 2017	Feb 2016	March 2015	May 2014	
1	Cash Credit	Long Term	9.50	[ICRA]B+ (stable)	[ICRA]B+ (stable)	[ICRA]B+ (stable)	[ICRA]B+ (stable)	
2	Term loan	Long Term	0.45	[ICRA]B+ (stable)	[ICRA]B+ (stable)	[ICRA]B+ (stable)	[ICRA]B+ (stable)	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash credit	-	-	-	9.50	[ICRA]B+ (stable)
Term loan	2012	-	2017	0.45	[ICRA]B+ (stable)

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About ICRA Limited:

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