



Rating Rationale

Aamor Inox Limited

18 Dec 2019

Brickwork ratings reaffirms the long term ratings for the Bank Loan Facilities of ₹ 77.82 Crs. of Aamor Inox Limited with change in outlook to positive and withdraws the short term rating .

Particulars

Facility	Previous Rating Amount (₹ Crs)	Present Rating Amount (₹ Crs)	Tenure	Previous Rating*	Present Rating*
Fund based	51.45	77.82	Long Term	BWR BBB- Outlook : Stable	BWR BBB- (Positive) (Reaffirmation)
	5.00	-	Short Term	BWR A3	Withdrawal
Total	56.45	77.82	INR Seventy Seven crores and Eighty Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION / OUTLOOK

BWR has reaffirmed the long term rating of BWR BBB -(with change in outlook to positive) and withdrawn the short term rating of BWR A3. The ratings factors inter alia the extensive experience of promoters of the company and established operational track record of the company , relationship with customers and suppliers. The rating is constrained by the moderate scale of operations and lower profit margins of the company. The rating outlook is changed to positive due to the continuous YOY growth in scale of operations and growth of 84.25 % in FY 19 .

Rating Strengths

BWR has primarily relied upon the audited financials up-to FY19, Projected financials upto FY 21 and publicly available information and the information/clarification provided by the Company's management.



Experienced promoters and management team: AIL is promoted by Mr. Anand Gupta having experience of more than 17 years in the stainless steel industry. Mr. Anand Gupta is a graduate from University of Portsmouth, UK.. He brings along an extensive specialty-steel making family experience of over 44 years as an ex-promoter of Ambica Steels Limited (ASL), promoted by Late Shri Mahender Pal Gupta (father of Mr. Anand Gupta). The day to day operations of Aamor Inox are managed by an experienced management team.

Product Profile Aamor Inox Limited (AIL), formerly known as Ambica Stainless Steel Limited, is India's leading manufacturer & exporter of 'Specialty Stainless Steel long-products' (viz. bright bars, HRAP flats, Hexagon bars, Square bars, etc. in various grades and sizes) for very high demanding engineering goods sectors like: Aerospace, Chemical & Petrochemical, Petroleum & Natural Gas, Aviation, Automotive, Pharmaceutical, Food Processing, Defence, Paper & Pulp & Marine sectors. The company exports its products worldwide with special focus on Europe and North America .

Reputed client base: Having started the exports from scratch (back in the year 2004), Mr. Anand Gupta has developed a strong Global market for specialty steel long products, with a reputed and diversified client base ranging from Oil & Gas, Aerospace, Petrochemical, Pharmaceutical, Shipbuilding, Power-generation, Food & Dairy along with many large Stockist & Traders worldwide. AIL's major focus markets are Europe (incl. UK), North America and South America.

Comfortable Gearing and Capital Structure The company's Capital structure is comfortable as Tangible Net Worth (analysed) stood at Rs 58.73 Crs as on 31.03.2019 as against Rs 53.36 Crs as on 31.03.2018 ..Due to this Gearing (analysed) is low at 0.96 x in FY 19 against 1.17 x in FY 18 .

Good Growth seen in Operating Income- Total Operating Income of the company has shown good growth of 84.25 % in FY 19 due to the addition of new products and new customers and also due to increase in the production level and better price realisation. The growth is due to increase in volume i.e. 56% and price improvement by 18%.The company has achieved a turnover of Rs 83 Crs in HY FY 20

Average Debt Protection metrics - Overall Debt protection metrics improved in FY 19 (ISCR of 4.09 x in FY 19 against 3,29 X in FY 18 , DSCR of 2.03 x in FY 19 against 1.08 x in FY 18) .

Rating Weakness

Limited value addition resulting in low profitability: AIL procures stainless steel black bars from various vendors in India and processes these black bars into stainless steel bright bars, resulting in limited value addition in its finished products and hence low profitability



margins. The company is engaged in the production of a single product i.e. stainless steel bars though of different sizes and grades, which deprives the company from benefits of product diversification, which resulted in low profitability margins over the past few years . Operating Profit margin stood at 8.88% in FY 19 compared to 8.9 % in FY 18 and net profit margin stood at 1.63 % in FY 19 against 0.95 % in FY 18 .

Susceptibility to foreign exchange risk: The company is mainly focused in the export market and its export contribution to total sales stood at ~ 81% for FY19, thus exposing the company to the risk of exchange rate fluctuation. However, this risk is partially offset as company is availing packing credit in foreign currency .The raw materials are procured from the domestic market.

High level of competition- There is a high level of competition in the industry with the presence of large and small players, where large integrated players command an advantageous position

RATING SENSITIVITIES

Positive: BWR may revise the ratings upward, if the company's Scale of Operations , Net profit, EBITDA improves as compared to present level , with other metrics such as gearing , debt protection metrics and liquidity also favoring an upgrade.

Negative: BWR may revise the ratings downwards, if the company's scale of Operations, Net profit, EBITDA , liquidity and receivables position deteriorates .

Liquidity analysis (Adequate)

Working capital utilisation for Last one year is almost 100 % Major .Sources of funds in FY 19 is cash accruals of Rs 15.43 crores , Cash and cash equivalents of Rs 0.58 crores , current investments of Rs 0.36 crores , Major usage of funds in Fy 19 of Rs 5.37 crores as Current portion of long term debt .

About the Company

Aamor Inox Limited (AIL), previously known as Ambica Stainless Steel Limited (ASSL) was incorporated on December 15, 2004 and promoted by Mr Anand Gupta.

The products manufactured by the company have received various quality and process related certifications by various agencies such as ISO 9001: 2008, AS 9100- C (Quality Management System for the Aerospace Industry, North America), EN 9100-C (Quality Management System for the Aerospace Industry, Europe) and ISO 14001: 2004.

The Promoters Mr. Anand Gupta and Ms. Swati Gupta have combined shareholding of ~89 %

Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	109.25	201.3
EBITDA	₹ Cr	9.72	17.88
PAT	₹ Cr	1.04	3.28
Tangible Net worth *	₹ Cr	53.36	58.73
Total Debt/Tangible Net worth (Analysed) *	Times	1.17	0.96
Current Ratio	Times	1.03	1.07

*Considering unsecured loans as quasi Equity

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (LongTerm/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Export Packing Credit/Cash Credit	Long Term	60.00	BWR BBB- (Positive) (Reaffirmation)	BWR BBB- (Stable)	N.A	N.A
	Term Loans	Long Term	17.82			N.A	N.A
	Bill Discounting Under LC	Short Term		Withdrawal	BWR A3	N.A	N.A
	Total		77.82	₹ Seventy Seven Crores and Eighty Two lakhs Only			

Status of non-cooperation with previous CRA - Care Rating has moved the rating to ISSUER NOT COOPERATING in June 2019

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information , visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

Hyperlink/Reference to applicable Criteria

Analytical Contacts	Investor and Media Relations
<p>[Karan Ahluwalia] Primary Analyst [Board: +911123412232] [karan.a@brickworkratings.com]</p> <p>[R K Sharma] [Sr. Director – Ratings] Board: +911123412232 [rksharma@brickworkratings.com]</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Aamor Inox Limited

ANNEXURE I -Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	HDFC Bank	Cash Credit	10.00		10.00
		Term Loans	4.92		4.92
2	State Bank Of India	Cash Credit	25.00		25.00
3	Axis Bank	Cash Credit	10.00		10.00
		Term Loans	12.90		12.90



4	DBS Bank	EPC/CC	15.00		15.00
TOTAL					77.82

INR Seventy Seven Crores and Eighty Two lakhs Only

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons