

Amba Shakti Ispat Ltd.

Brickwork Ratings upgrades the ratings for the proposed Bank Loan Facilities of ₹44 .10 Crs of **Amba Shakti Ispat Ltd.**

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2017)	Present
Fund Based	30.00	30.00	Long Term	BWR BB- Outlook: Stable	BWR BB+ Outlook: Stable (Upgrade)
Non-fund Based	14.10	14.10	Short Term	BWR A4	BWR A4+ (Upgrade)
Total	44.10	44.10	INR Forty Four Crores and ten lacs only		

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

** Details of facilities given in Annexure I.

RATING ACTION / OUTLOOK

BWR has upgraded the long term rating to **BWR BB+/A4+ (stable)** owing to increase in scale of operations , with over 82.50 % of Y-O-Y from FY18 to FY19. Adequate Debt protection metrics and rich experience of the promoters provides additional comfort for an upgrade in the rating.Outlook for the company is stable as the company's revenues are growing and is expected to grow in the current year ,as well.

KEY RATING DRIVERS

Rating Strengths:

Vintage of Promoters :- More than 7 decades of experience in manufacturing of high tensile Steel Products.

Increase in Scale of Operations :- The company clocked a sales Rs. 144.59 Crs in FY18 and in FY19 the company has achieved a turnover of Rs.263.93 Crs, thereby registering a 82.50 % of YoY growth in sales in FY19.

Improvement of Cash Conversion Cycle :- A significant improvement in Cash conversion cycle from 88 days in FY18 to 48 days in FY19 owing to better inventory management.

Brand Name and Network :- The company has a well established brand value with the name “Amba Saria” and a long standing relationship with a diversified base of customers

Location of Manufacturing Facility :- The plant site at Kala Amb, Himachal Pradesh has a location advantage of being strategically located with favourable government policies and ease of access of raw material with conveniently connected by road to all major cities and towns of their target areas in Haryana, Punjab, Chandigarh, J&K, Himachal Pradesh & Uttaranchal.

Group Support:- The rating also draws comfort from the fact that the promoters run 2 other companies, namely, Amba Shakti Industries Ltd and Amba Shakti Udyog Ltd, which operate in the same line of activity. So, in case of any need, Group support will also be there.

Rating Weaknesses:

Price Volatility :- The major raw material for the company is sponge iron and scrap, the prices of which are very volatile and largely depends on international macroeconomic scenarios.

Stressed Profitability Margins due to Intense Competition:- The segment is subjected to cut-throat competitive market dynamics. The producers of steel products are essentially price-takers in the market, which directly exposes their cash flows and profitability to volatility in the input prices.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA : BWR has assessed the company on a standalone basis. Please refer to the applicable criteria at the end.

RATING SENSITIVITIES

Positive: BWR may revise the ratings upward, if the company’s Scale of Operations, Net profit, EBITDA improves as compared to the present level.

Negative: BWR may revise the ratings downwards, if the company's scale of Operations, Cash flow from operations, Net profit and EBITDA margins deteriorates.

LIQUIDITY POSITION - A current ratio of 1.27 in FY19, indicates a moderate liquidity position. However, the average utilization of sanctioned CC limits of Rs. 30 Crs. has been around 95%. The CPLTD to be paid off in FY19 was at Rs. 0.61 Crs, against which the net cash accruals for the year FY19 was Rs. 2.86 Crs while the CPLTD to be paid off in FY20 is Rs. 0.51 Crs, against which the projected net cash accruals for the year FY20 stands at Rs.2.93 Crs.; thereby indicating adequate liquidity for repayment of debts.

About the Company: Amba Shakti Ispat Limited is a Limited Company established at 6-Kala Amb, Industrial Area, Kala Amb (Himachal Pradesh). The company is promoted by Mr. S.K. Goel, Mr. Sanjeev Goel and Mr. Akshat Goel. The Company is engaged in the manufacturing of M.S./T.M.T. Bar & MS Ingots.

The unit has started its Commercial Production on 22.07.2004. The Installed Capacity of the unit is 96000 M.T.P.A. for the manufacturing of MS/TMT Bars.

Key Financial indicators :-

Key Parameters	Units	FY 18.	FY 19
Result Type		Audited	Audited
Operating Income	Rs in Crs	144.59	263.93
EBITDA	Rs in Crs	6.48	7.20
Net Profit	Rs in Crs	-0.07	0.34
Tangible Net worth	Rs in Crs	33.78	34.12
Total Debt/Tangible Net worth	Rs in Crs	0.87	1.01
Current Ratio	Times	1.31	1.27

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED -There are no Key covenants

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - Not applicable

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History				
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	Dec ,2017	Jan,2017	2016	Nov, 2015
CC Limit	Long Term	30.00	BWR BB+ Stable (Upgrade)	Rating not reviewed	BWR BB- (Stable)	BWR BB- (Stable)	No Change	BWR BB- (Stable)
Bank Guarantee	Short Term	14.10	BWR A4+ (Upgrade)	Rating not reviewed	BWR A4	BWR A4	No Change	BWR A4
Total		44.10	INR Forty Four Crores and ten lacs only					

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

<u>Analytical Contacts</u>	<u>Investor and Media Relations</u>
<p>[Ankit Dixit] Rating Analyst [Board: +911123412232] [ankit.d@brickworkratings.com]</p> <p>[R K Sharma] [Sr. Director – Ratings] Board: +911123412232 [rksharma@brickworkratings.com]</p>	<p>M : +91 7738875550 B : +91 22 6745 6666 investordes@brickworkratings.com</p>

Amba Shakti Ispat Ltd.

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)	Oriental Bank Of Commerce	Cash Credit	30.00	-	30.00
		Letter Of Credit	-	12.00	12.00
		Bank Guarantee	-	2.10	2.10
Total			30.00	14.10	44.10

Total Rupees Forty Four Crores and ten lacs 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