

Rating Rationale

Amba Shakti Ispat Ltd

28 December 2017

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of Amba Shakti Ispat Ltd (“ASIL or The Company”).

Brickwork Ratings reaffirms following rating¹ for the Bank Loan Facilities of **Amba Shakti Ispat Ltd.**

Facilities Availed	Previous Rated Amount(Cr)	Amount to be Rated (Cr)	Tenure	Previous Rating	Rating Assigned.
Fund Based					
Cash Credit	30.00	30.00	Long term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmation
Non Fund Based					
Bank Guarantee	2.10	2.10	Short Term	BWR A4 (Pronounced as BWR Single A Four)	BWR A4 (Pronounced as BWR Single A Four) Reaffirmation
Inland /Foreign LC/LOC//BC	12.00	12.00			
Total amount to be rated	44.10	44.10	INR. Forty Four Crores and Ten Lakhs Only		

1 Please refer to BWR website www.brickworkratings.com for definition of the rating assigned

BWR has essentially relied upon audited financial results of **Amba Shakti Ispat Ltd** up to FY17, projections of FY18 and FY19, publicly available information and information provided by the company.

The rating draws strength from the extensive business experience of the promoters and comfortable liquidity.

The rating is however constrained by decline in total operating income, elongated conversion cycle, susceptibility of profitability to volatility in raw material prices and competition from organised and unorganized players in the industry.

Key Rating Drivers

Credit Strengths

- **Extensive experience of promoters** - The promoters of the company have extensive experience of over two decades in Steel manufacturing.
- **Comfortable Liquidity** : The entity has been able to maintain current ratio of 1.37X during the last 2 years.

Credit Weaknesses

- **Decline in Total Operating Income:** The Total Operating Income of the entity has been declining for the last 2 years. The TOI stood at 179.29 Crs in FY16 vis a vis INR 131.36 Crs in FY17 due to intense competition by established players with brand name.
- **Elongated conversion Cycle:** The company has a conversion cycle of 126 days on account of high inventory holding days of 124 days and receivable days of 81 days as on March 31,2017.
- **Volatility in raw material prices** : The key raw material used in the production by the company is the steel. Steel prices have seen a sharp volatility in the previous financial years owing to which the hedging the price risk became important for the companies to mitigate the losses. ASIL saw a decline in the operating margins in FY17 on account of higher raw material prices since the company did not mitigate the risks.

Rating Outlook: Stable

BWR believes the **Amba Shakti Ispat Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Background:

Amba Shakti Ispat Ltd., is an ISO 9001 : 2000, 14001 & OHSAS 18001 Company, was established in Kala Amb, Himachal Pradesh. The company is involved in manufacturing TMT Bars, Angles, Channels & Wire Rods from Billets. The TMT bars manufactured here have also been accredited 'Tempcore' by CRM Belgium. The company is promoted by Mr. S.K. Goel, Mr. Sanjeev Goel and Mr. Akshat Goel are the directors of the company.

The installed capacity of the unit is 96000 M.T PA. The registered office of the Company is at 21/6, West Patel Nagar , New Delhi.

Company's financial Performance

Key Financials			
Result Type	Limits	31/Mar/2016	31/Mar/2017
		Audited	Audited
Total Operating Income	Crs	179.29	131.36
OPBDIT	Crs	6.76	3.29
PAT	Crs	0.26	0.17
Tangible Net Worth	Crs	33.68	33.85
TOL/TNW	Times	2.04	1.86
Current Ratio	Times	1.37	1.37

Rating History for the last three years: (including withdrawn/suspended ratings)

Facilities	Rating Assigned in 2017			Rating History		
	Amount to be Rated (In Crs)	Tenure	Rating Assigned	2016	2015	2014
Cash Credit	30.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmation	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA
Bank Guarantee	2.10	Short Term	BWR A4 (Pronounced as BWR Single A Four) Reaffirmation	BWR A4 (Pronounced as BWR Single A Four)	NA	NA
Inland /Foreign LC/LOC//BC	12.00					
Total	44.10	INR. Forty Four Crores and Ten Lakhs Only				

Hyperlink/Reference to Applicable Criteria

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|----------|--|----------|--|
| 2 | General Criteria | 4 | Manufacturing Industries |
| 3 | Approach to Financial Ratios | 5 | Short Term Debt |

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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