

Rating Rationale

Amba Shakti Steels Ltd.

30 July 2018

Brickwork Ratings revises the rating for the Bank Loan Facilities amounting to Rs. 65.00 Crs of Amba Shakti Steels Ltd.

Particulars:

Facility	Limits (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous Rating	Rating Assigned
Cash Credit	35.00	35.00	Long Term	BWR BB Pronounced BWR Double B (Outlook – Stable)	BWR BB+ Pronounced BWR Double B Plus (Outlook – Stable) [Upgrade]
Term Loan	9.00	8.00			
Non Fund Based					
Bank Guarantee	7.00	7.00	Short Term	BWR A4+ Pronounced BWR A Four Plus	BWR A4+ Pronounced BWR A Four Plus [Reaffirmation]
LC	15.00	15.00			
Total	66.00	65.00	INR Sixty Five Crores Only		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financials upto FY17, Provisional financials for FY18, projected financial statements up to FY20, publicly available information and information/clarifications provided by the Firm.

The rating has, inter alia, factored in the experienced management, established brand name, increase in scale of operations, comfortable liquidity position and moderate tangible net worth.



The rating is, however, constrained by low profitability margins, weak debt protection metrics, susceptibility to raw material price movement and difficult industry scenario

Going forward scaling up of business, meeting projections and ensure timely servicing of debt would be the key rating sensitivities.

Key Rating Drivers:

Experienced management: The company's directors have more than 3 decades of experience in the same line of business

Well established brand:- Amba shakti is a well known brand in the northern market which the company leverages to reach to more and more customers.

Increase in scale of operations:- On provisional basis operating income of the company increased to Rs. 195.51 Crs in FY18 against an operating income of Rs. 150.38 Crs in FY17. Also the company has achieved sales of ~Rs. 95 Crs during first quarter of FY19 on account of increasing demand.

Low profitability margins: Profitability margins have continued to slide down. Net profit margin and operating profit margin stood at 0.09% & 5.81% respectively in FY17 against 0.35% & 5.27% respectively in FY16. On provisional basis also Operating margin stood at 5.05% in FY18 down by 76 basis point from the previous year.

Weak Debt Protection metrics: ISCR and DSCR were below average at 1.26x and 1.00x as on 31.3.2017 due to higher interest cost burden.

Rating Outlook: Stable

BWR believes that **Amba Shakti Steel Ltd's** 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 Firm is able to collect receivables promptly to improve the overall liquidity position. The rating outlook may be revised to 'Negative' if the liquidity position deteriorates any further.

About the Firm:

Amba Shakti Steels Limited is a Limited Company established at 7th K M Meerut Road, Muzaffarnagar, UP. The Company is engaged in the manufacturing of M.S./T.M.T. Bars. The unit has started its Commercial Production on 1989. The Installed Capacity of the unit is 98000 M.T.P.A. for the manufacturing of MS/TMT Bars.

Mr. Surendra Kumar Goel is the Managing Director of the company.

Firm's Financial Performance:

AASPL reported operating income of Rs. 195.51 Crs. with an operating profit of Rs.9.87 Crs.on provisional basis in FY18 against an operating income of Rs. 150.38 Crs. with an operating profit of Rs. 8.74Crs Crs in FY17.

Key Financial Figures			
Particulars	Unit	FY17(Audited)	FY18(Provisional)
Total Operating Income	Rs. Crores	150.38	195.51
EBITDA	Rs. Crores	8.74	9.87
TNW	Rs. Crores	29.68	30.46
Total Debt : TNW	Times	2.50	2.03
Current Ratio	Times	1.41	1.37

Rating History for the last three years:

Sl. No.	Facility	Current Rating (July 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2018 March	2017 March	2016
1.	Fund Based	Long Term	43.00	BWR BB+ (Outlook Stable) (Upgrade)	BWR BB Stable	BWR BB Stable	NA
2	Non Fund Based	Short Term	22.00	BWR A4+ Reaffirmation	BWR A4+	BWR A4+	NA
Total			65.00	Rupees Sixty Five Crores Only			



Status of Non-Cooperation with previous CRA - NA

Hyperlink/Reference to Applicable Criteria:

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

Analytical Contacts	Media
<u>RK Sharma</u> <u>GM - Ratings</u>	media@brickworkratings.com
	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone: 1-860-425-2742	

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

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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. BWR has rated debt



instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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