

Rating Rationale

Brickwork Ratings assigns 'BWR BB' & 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 66.11 Cr of Amba Shakti Steels Ltd.

Brickwork Ratings has assigned the following **Ratings¹** for the Bank Loan Facilities of Amba Shakti Steels Ltd (ASSL):-

Facility	Present Limits(₹ Cr)	Tenure	Ratings
Fund Based			
Cash Credit	35.00	Long Term	BWR BB (Pronounced BWR Double B) (Outlook: Stable)
Term Loan	14.11		
Non-Fund Based			
Bank Guarantee	2.00	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
LC	15.00		
Total	66.11	INR Sixty Six Crores & Eleven Lakhs only	

BWR has essentially relied upon audited financial results of Amba Shakti Steels Ltd. up to FY15 and projected financials for FY16, publicly available information and information provided by the management.

The rating has, inter alia, factored in the management experience in its line of activity, an established track record, moderate net-worth, a diversified supplier and client base, and brand equity. The rating is, however, constrained by relatively low profitability, restricted pricing flexibility because of competitive & fragmented nature of industry.

Background:

ASSL, an ISO 9001: 2000, 14001 & OHSAS 18001 certified company, is established at Muzaffarnagar, Uttar Pradesh, with its registered office at Delhi. It commenced commercial operations in 1989, with an installed capacity of 98000 M.T.P.A. for the manufacture of MS/TMT Bars. The TMT bars manufactured by the company have also been accredited with 'Tempcore' certification by CRM Belgium. The company uses the latest CONCAST technology for the casting of billets. The company markets its products in the states of Haryana, Ghaziabad, Noida & some parts of Uttarakhand in Northern India.

Mr. Surendra Kumar Goel is the Managing Director of the company. He is a graduate & has a professional experience of five decades in the steel industry.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

His sons Mr.Pankaj Goel & Mr. Manish Goel are the directors of the Company. They both are graduates and have professional experience of more than a decade.

Financial Performance:

During FY15, the company reported PAT of ₹0.45 Cr on Net Sales of ₹ 237.35 Cr as against PAT of ₹ 0.32 Cr on Net Sales of ₹ 229.17 Cr in FY14. Both Operating Margins and Net Profit Margins continue to be low, and were at 3.46% and 0.19% respectively. The Tangible Net worth stood at ₹28.89 Cr as at March 31, 2015, as against ₹28.44 Cr as on March 31, 2014. Debt to Equity (analysed) was at 1.24x in FY15.

Rating Outlook:

The outlook of the company is expected to be stable during the current year. Going forward, the company’s ability to improve its profitability in line with proportionate growth in turnover, achieve its projections, infuse more funds for future growth and improved debt protection metrics will be the key rating sensitivities.

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