

## Rating Rationale

Amba Shakti Steels Ltd.

31 March 2018

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities amounting to Rs. 66.00 Crs(enhanced from Rs. 64.00 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) (Outlook – Stable) [Reaffirmation]
Term Loan	12.00	9.00			
Non Fund Based					
Bank Guarantee	2.00	7.00	Short Term	BWR A4 Pronounced BWR A Four	BWR A4 (Pronounced BWR A Four) [Reaffirmation]
LC	15.00	15.00			
<b>Total</b>	<b>64.00</b>	<b>66.00</b>	<b>INR Sixty Six Crores Only</b>		

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financials upto FY17, projected financial statements up to FY19, publicly available information and information/clarifications provided by the Firm.

The rating has, inter alia, factored in the experienced management, established brand name, comfortable liquidity position and moderate tangible net worth. The rating is, however, constrained by low profitability margins, decline in sales and weak debt protection metrics. The rating also takes into consideration, the execution risk w.r.t the new expansion facility which is under progress.

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

Comfortable liquidity position:- The company has comfortable liquidity position as indicated by current ratio of 1.41 times.

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.

Decline in sales: Sales for the company has been declining Y-O-Y for last three years under consideration. The company achieved total operating income of Rs. 150.38 Crs for FY17 against operating income of Rs. 185.89 Crs for FY16. the decline in sales is mainly on account of decline in sales of traded goods. The sale is expected to improve in FY18 as the company has already crossed 180 Crs mark by Feb 2018

### **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.

### **Firm's Financial Performance:**

AATPL reported operating income of Rs. 150.38 Crs. with a net profit of Rs.0.14 Crs. in FY17 against an operating income of Rs. 185.89 Crs. with a net profit of Rs. 0.65 Crs in FY16.

Key Financial Figures			
Particulars	Unit	FY16(Audited)	FY17(Audited)
Total Operating Income	Rs. Crores	185.89	150.38
EBITDA	Rs. Crores	9.81	8.74
PAT	Rs. Crores	0.65	0.14
TNW	Rs. Crores	29.54	29.68
Total Debt : TNW	Times	2.99	2.50
Current Ratio	Times	1.48	1.41

**Rating History for the last three years:**

Sl. No.	Facility	Current Rating (March 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017 March	2016	2015 Nov
1.	Fund Based	Long Term	44.00	BWR BB reaffirmed	BWR BB	NA	BWR BB
2	Non Fund Based	Short Term	22.00	BWR A4+ reaffirmed	BWR A4+	NA	BWR A4+
Total			66.00	Rupees Sixty Six 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](#)



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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, 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.

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