

Amba Shakti Udyog Ltd

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 88.09 Crs of *Amba Shakti Udyog Ltd*

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March 2018)	Present
Fund based	55.30	63.09	Long Term	BWR BBB Stable	BWR BBB+ Stable (Upgradation)
Non-fund Based	25.00	25.00	Short Term	BWR A3+	BWR A2 (Upgradation)
Total	78.30	88.09	INR Eighty eight crores and nine lacs only		

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

RATING ACTION / OUTLOOK

The long term rating has been upgraded owing to increase in scale of operations , with growth of over 78% in FY19 as compared to FY18. Strong Debt protection metrics and rich experience of promoters provides additional comfort for an upgrade in the rating. Outlook for the company is stable as the company’s revenues are growing consistently for last 3 years and is expected to grow in the current year ,as well.

KEY RATING DRIVERS

Rating Strengths

Vintage of Promoters :- More than 4 decades of experience of promoters in the business of steel manufacturing with a diversified management in terms of

experience, age and education.

Increase in Scale of Operations :- The total operating income for FY19 (Audited) stood at Rs. 794.71 Crs , registering a growth of over 78% compared to FY18 wherein the income stood at Rs. 445.30 Crs.

Strong Debt Protection Metrics :- The credit protection metrics are comfortable enough, with ISCR at 4.94x and DSCR at 3.22x in FY19.

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 dealers and distributors.

Rating Weakness

Price Volatility :- The major raw material for the company is sponge iron and scrap, the prices of which are very volatile. The company also imports a huge quantity of raw materials , which exposes them currency risk ,too.

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 present level , with credit protection metrics also favoring an upgrade.

Negative: BWR may revise the ratings downwards, if the company's scale of Operations , Net profit and EBITDA margins deteriorates with credit protection metrics also favoring downgrade.

LIQUIDITY POSITION - Adequate

A current ratio of 1.26 in FY19 , indicates a comfortable liquidity position. Also, the average utilization in the CC account has consistently been less than Rs. 35 Crs against a sanctioned limited of Rs. 40 Crs., indicating the availability of funds to meet any unforeseen short term

requirements. The CPLTD to be paid in FY18 stood at Rs. 3.13 Crs , against which the net cash accruals for the year FY18 was Rs. 27.06 Crs while the CPLTD to be paid off in FY19 is Rs. 4.14 Crs , against which the net cash accruals for the year FY19 stood at Rs.27.49 Crs. ; thereby indicating sufficient liquidity for repayment of debts . The company had cash and cash equivalent of Rs.2.45 crs. As on 31.3.2019.

About the Company: Amba Shakti Udyog Ltd was incorporated in March 18, 2014 based in New Delhi.ASUL has Automatic Steel Plant consisting Steel re-rolling unit which have installed capacity of 900 MT per day for manufacturing of TMT (Thermo Mechanically Treated) Steel, bars, angle, channels etc. and 3 Induction Furnaces of Concast machine of 30 MT capacity each for the manufacturing of MS Billets.

Key Financial indicators

Key Parameters	Units	FY 18.	FY 19
Result Type		Audited	Audited
Operating Income	Rs in Crs	445.30	794.71
EBITDA	Rs in Crs	21.53	31.38
Net Profit	Rs in Crs	11.45	13.25
Tangible Net worth	Rs in Crs	45.46	58.71
Total Debt/Tangible Net worth	Rs in Crs	1.61	1.59
Current Ratio	Times	1.27	1.26

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	Aug, 2018	Jan,2018	2016 &2017
Fund Based	Long Term	63.09	BWR BBB+	BWR BBB Stable	BWR BBB - Stable	NA

			Stable (Upgrade)			
Non-fund Based	Short Term	25.00	BWR A2 (Upgrade)	BWR A3+	BWR A3	NA
Total		88.09	INR Eighty eight crores and nine lacs only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

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Amba Shakti Udyog 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	40.00	-	40.00
2)	Oriental Bank Of Commerce	Term Loan	23.09	-	23.09
3)	Oriental Bank Of Commerce	Letter of Credit	-	25.00	25.00
TOTAL					88.09

Total Rupees Eighty eight crores and nine lacs Crores only.



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