



## Rating Rationale

Amba Shakti Udyog Ltd

13 Aug 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 78.30 Crs of Amba Shakti Udyog Ltd.

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2018)	Present
Fund based	56.21	53.30	Long Term	BWR BBB- Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook : Stable (Upgrade)
Non Fund Based	25.00	25.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3+ (Pronounced as BWR A Three Plus) (Upgrade)
<b>Total</b>	<b>81.21</b>	<b>78.30</b>	<b>INR Seventy Eight Crores and Thirty Lakhs Only</b>		

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

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results of FY 16 to FY18, projections for FY 19 and FY 20, publicly available information and clarifications provided by company's management.

The rating continues to draw strength from the experience of the promoters in the steel industry, increase in installed capacity and capacity utilisation, strategic locational advantage with proximity to the raw materials, growth in scale of operations, moderate



capital structure, comfortable debt protection metrics and efficient working capital management.

However, the rating is constrained by thin profit margins, high volatility in raw material & fuel prices and high competition from existing companies in the region

Going forward, the scaling of the revenue and timely servicing of the debt would be the key rating sensitivities.

#### Description of Key Rating Drivers

##### **Credit Strengths:**

**Extensive Experience of promoters** -ASUL's promoters have a considerable experience of over four decades in the steel industry . ASUL sells TMT bars under its own brand name of "Amba Saria" which has an established presence in Uttar Pradesh, Uttaranchal, Delhi, Haryana, Maharashtra, Himachal Pradesh and Punjab.

**Diversified Client Base-** The clients of ASUL include real estate developers and local TMT dealers. In the area ASUL has developed a dealer network of ~350 dealers operating under 35 distributors.

**Good Growth Seen in Topline** :Total operating income of the company has increased by 40% to Rs. 445.30 Crs in FY18 as against Rs. 317.57 Crs in FY17 due to increase in capacity utilisation as well as better sales price realisation.

**Above Average Financial Strength** The company has adequate interest and debt servicing capability as reflected by ISCR and DSCR of 4.61 & 3.74 respectively for FY18. The company has moderate level of liquidity as reflected by current ratio of 1.27 times in FY18. Cash conversion cycle of the company is 13 days which reduces the dependence upon the external working capital requirement

**Strategic Location** The plant site has a location advantage of being strategically located with favorable government policies and ease of access of raw material with conveniently connected by road to all major big cities and towns.

**Backward Integration of operations-** ASUL has set up three induction furnaces with concast machine for manufacturing of MS billets which are basic raw material for manufacturing steel bars. The company's capacity is 2,70,000 MTPA of billets which meets ~100% of the raw material requirement of the company. The said unit benefits



by assured availability of raw material and safeguard the company against variation in raw material prices.

### **Credit Weaknesses**

**Short Track record** -ASUL has short track record of operations as commercial operations of the company commenced on December 2015. However, the promoters have experience in the steel industry through its group concern.

**Volatility in raw material Prices** The major raw material for the company is sponge iron and scrap, the prices of which are volatile. The company sources its raw material on requirement basis from the open market from suppliers/traders.

**Market Risk** The steel industry is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Furthermore, 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

**Foreign Currency / Exchange Risk** - The company is importing most of raw materials such as sponge which exposes company to currency fluctuation risks . This risk is partially hedged as forward cover is in place

**Intense Competition** High Competition from existing manufacturers in Vicinity limits the pricing power of the company in the industry

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Amba Shakti Udyog 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.



## About the Company

Amba Shakti Udyog Ltd was incorporated in March 18, 2014 and it has its registered office in New Delhi. The company has started its commercial operations on 02 December, 2015. ASUL has Automatic Steel Plant consisting Steel re-rolling unit which have installed capacity of 900 MT per day increased from 500 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. The company has recently completed expansion by adding one more furnace. COD was achieved in April 2018 .

The unit is situated at Banmore Industrial Area, Dist. Morena (M.P.) on 15 acres (60000 sq. mtrs approx.) lease hold land. Mr. S.K. Goel, Mr. Akshat Goel and Mr. Sanjeev Gupta are the promoters of the company

## Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History			
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018 (Jan)	2017	2016	2015
1	Cash Credit	Long Term	25.00	BWR BBB (Outlook :Stable) Upgrade	BWR BBB- (Outlook :Stable) Upgrade	N.A	Not reviewed	BWR B+ (Outlook: :stable)
2	Term Loan	Long Term	28.30	BWR BBB (Outlook :Stable) Upgrade	BWR BBB- (Outlook :Stable) Upgrade	N.A	Not reviewed	BWR B+(Outlook :Stable)
3	Letter of credit	Short Term	25.00	BWR A3+ Upgrade	BWR A3 Upgrade	N.A	Not reviewed	BWR A4
	<b>Total</b>		<b>78.30</b>	<b>INR Seventy Eight Crores and Thirty Lakhs Only</b>				

## Company Financial Performance

Key Parameters	Units	FY 17	FY 18
Result Type		Audited	Audited
Operating Revenue	Rs in Crs	317.57	445.30
EBITDA	Rs in Crs	12.30	21.51
PAT	Rs in Crs	2.25	11.45
Tangible Net worth (analysed )*	Rs in Crs	66.01	61.34
Total Debt/Tangible Net worth (analysed )	Times	0.83	0.94
Current Ratio	Times	1.25	1.27

\* including unsecured loans as quasi equity

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Any other information - Not applicable

### Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, 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.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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