



## Rating Rationale

Amba Shakti Udyog Ltd

09-Jan-2018

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 81.21 Crores of Amba Shakti Udyog Ltd (ASUL).**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based	80.00	56.21	Long Term	<b>BWR B+</b> (Pronounced BWR Single B Plus) <b>Outlook: Stable</b>	<b>BWR BBB-</b> (Pronounced as BWR Triple B Minus) <b>Outlook:Stable (Upgraded)</b>
Non Fund Based	25.00	25.00	Short Term	<b>BWR A4</b> (Pronounced BWR A Four)	<b>BWR A3</b> (Pronounced as BWR A Three) <b>(Upgraded)</b>
<b>Total</b>	<b>105.00</b>	<b>81.21</b>	<b>INR Eighty One Crores and Twenty One Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Ratings: Upgraded

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

BWR has essentially relied upon the audited financial results up to FY17, unaudited financials for 8MFY18, projected financials of **Amba Shakti Udyog Ltd** up to FY20, publicly available information and information/ clarifications provided by the company's management.

The rating draws strength from the experience of the promoters in the steel industry, proposed increase in present capacity and setting up another furnace, strategic locational advantage with proximity to the raw materials, growth in scale of operations, moderate capital structure 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 and project execution risk associated in setting up another furnace by the company.

Going forward, the ability of the company to complete the expansion of the capacity on time, achieve projected revenues and profitability margins and improve the capital structure would be the key rating sensitivities.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- ASUL's promoters have a considerable experience of over four decades in the steel industry by the way of trading and manufacturing.
- 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.
- 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.
- Total operating income of the company has increased by 494% to Rs. 317.57 Crs in FY17 as against Rs. 53.44 Crs in FY16 in its first full year of operations.
- The company has adequate interest and debt servicing capability as reflected by ISCR and DSCR of 2.37 & 2.79 respectively for FY17.
- The company has moderate level of liquidity as reflected by current ratio of 1.25 times in FY17. Cash conversion cycle of the company is 24 days which will reduce the dependence upon the external working capital requirement.
- 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 two induction furnaces with concast machine for manufacturing of MS billets which are basic raw material for manufacturing steel bars. The company is producing 1,50,000 MTPA of billets which meets ~100% of the raw material requirement of the company. The said unit will benefit



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

- The company is in process to increase its current capacity (addition of one more Induction furnace with concast) from 1,50,000 MTPA to 2,70,000 MTPA which will further help the company to improve its financial position.

#### **Credit Risks:**

- 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.
- Steel industry is categorized as a high working capital intensive.
- 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.
- 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.
- High Competition from existing manufacturers in Vicinity.

#### **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 500 MT per day for manufacturing of TMT (Thermo Mechanically Treated) Steel, bars, angle, channels etc. and 2 Induction Furnaces of Concast machine of 25 MT capacity each for the manufacturing of MS Billets. 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.

**Company Financial Performance**

Total operating income of the company has increased to Rs. 317.57 Crs in FY17 as against Rs. 53.44 Crs in FY16.

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	Dec 2016	March 2015
1	Fund Based	Long Term	56.21	<b>BWR BBB-</b> (BWR Triple B Minus) Outlook:Stable <b>(Upgraded)</b>	N.A	<b>Rating Not Reviewed</b>	<b>BWR B+</b> Outlook:Stable (Assigned)
2	Non Fund Based	Short Term	25.00	<b>BWR A3</b> (BWR A Three <b>(Upgraded))</b>			<b>BWR A4</b> (Assigned)
<b>Total</b>			<b>81.21</b>	<b>INR Eighty One Crores and Twenty One Lakhs Only</b>			

**Status of non-cooperation with previous CRA (if applicable) - None**



Any other information: None

**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Crores	317.57	53.44
EBITDA	Crores	12.49	3.76
PAT	Crores	2.25	1.78
Tangible Net worth	Crores	34.01	31.77
Total Debt/Tangible Net worth	Times	2.55	2.59
Current Ratio	Times	1.25	1.07

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Company](#)
- [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, has also been 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 Nationalized 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, 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

### **DISCLAIMER**

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