

## Rating Rationale

### Brickwork Ratings assigns 'BWR B+' for the Bank Loan Facilities aggregating ₹ 11.60 Cr of Ambekeshwar Steels Pvt Ltd

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for Bank Loan Facilities of Ambekeshwar Steels Pvt Ltd (*ASPL* or '*the Company*').

Facility	Amount (₹ Cr)	Tenure	Rating
Fund Based Cash Credit Term Loan	6.00 5.60	Long Term	<b>BWR B+</b> (Pronounced BWR Single B Plus)  <b>Outlook: Stable</b>
<b>Total</b>	<b>11.60</b>	<b>INR Eleven Crores &amp; Sixty Lakhs only</b>	

ASPL, being a new company which has just commenced commercial operations, BWR has principally relied upon the detailed project report and perused the projected financials up to FY17, publicly available information and information/clarifications provided by the company.

The rating draws strength from the strong industry experience of the management and the established distribution network of their associate company, Ambuja Pipes Pvt Ltd, which will help the company in establishing itself in the market. The rating also takes into account the positive demand prospects for the Steel Pipes/Tubes. The rating is, however, constrained by the limited track record of the company, delay in commencement of commercial operations, susceptibility of profitability to volatility in raw material prices, intense competition in the sector and working capital intensive operations of the company.

#### Background:

Incorporated in 2011 at Rajasthan, Ambekeshwar Steels Pvt Ltd (ASPL) has set up a manufacturing plant for Electric Resistance Welded (ERW) Pipes and Galvanized Iron Pipes. The company has an installed capacity of 12000 MT/PA. The company can manufacture ERW Pipes of sizes ranging from 0.5 inch diameter to 2.5 inches diameter, Square sections up to 72mm\*72mm and Rectangular sections up to 50mm\*100mm. The products find their application in the Real Estate and Infrastructure segments. Although the plant was expected to become operational in January 2014, due to delays in the supply and erection of machinery, ASPL started the commercial production on July 16, 2014.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The principal raw materials required are Steel and HR coils which the company plans to procure from the major Iron & Steel Manufacturing companies of the country. ASPL plans to sell its products via the established distribution network of its associate company, Ambuja Pipes Pvt Ltd (owned by the promoter's father). The dealers are spread across Rajasthan which will help the company in spreading its reach in the entire state. In the future, ASPL also plans to start the production of steel cylinders also.

### **Management:**

The company has two directors, Mr. Rahul Aggarwal and Mrs. Radhika Aggarwal (wife of Mr. Rahul Aggarwal). Both the directors are Post Graduates in Business Management and are guided by their family members who have been associated with the industry for more than three decades.

### **Financial Highlights:**

The promoters have infused Rs.2.14 Cr as Share Capital and Rs.1.02 Cr as Unsecured Loans till date. ASPL expects to report a Net Income of Rs. 32.59 Cr for FY15 (first year of operations) with an EBITDA margin of 11.57% and Net Margin of 4.91%.

### **Rating Outlook:**

The outlook is expected to be stable for the current year. Going forward, the ability of the company to stabilise its operations, achieve the projected revenue level and profitability and ensure timely infusion of funds would form the key rating sensitivities.

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