



Rating Rationale

Ambey Metallic Pvt. Ltd.

14 July 2020

Brickwork Ratings reaffirms the long term rating and reaffirms the short term rating for the Bank Loan Facilities of ₹. 30.00 Crores of Ambey Metallic Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
Fund based	5.65	5.65	Long Term	BWR BB+ Stable	BWR BB+ Stable [Reaffirmed]
Non Fund Based	24.35	24.35	Short Term	BWR A4+	BWR A4+ [Reaffirmed]
Total	30.00	30.00	INR Thirty Crores Only		

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

Complete details of Bank facilities is provided in Annexure-I

*Issuer did not cooperate; based on best available information

The rating was migrated to Rating Not Reviewed category May 2020

RATING ACTION/ OUTLOOK

BWR has reaffirmed the long term rating and reaffirmed the short term rating of Ambey Metallic Pvt. Ltd. to BWR BB+/Stable and BWR A4+.

The outlook is Stable on account of extensive experience of promoters in providing and moderate net worth .

The rating draws strength from an adequate experience of the promoters, successful track record of operations , moderate gearing and improved profitability . The rating is however constrained by fluctuating margins, modest net profitability, inherent cyclical nature of the Steel Industry and exposed to negative impact of COVID 19.



KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19 , provisional FY20 and projection upto FY23 and publicly available information and information / clarification provided by the management.

Credit Strengths:

- Extensive experience of promoters along with healthy relationships with customers and suppliers.
- Financial risk profile of the company is marked with moderate net worth of Rs.18.13cr resulting in gearing of 0.85x in Fy19. On provisional basis, Networth has increased to Rs. 18.99 Cr and gearing has increased to 1.30x in FY20. Coverage as reflected through DSCR and ISCR are at moderate levels, these are reported at 2.12x and 1.43x in Fy19 and 1.87x and 2.06x in FY20 on a provisional basis. Company's profitability has also shown improvement with OPM reported at 2.91% in Fy18 , 3.97% Fy19 to 4..25% in FY20 on a provisional basis.
- Improved scale of operations with TOI in Fy19 reported at Rs.83.88 cr v/s Rs.71.49cr in Fy18. However , it has reduced substantially to Rs. 56.90 cr in fy 20 on provisional basis. It has reported sales of Rs.8.76 Cr in Q1 FY21. It is expected to improve to Rs. 62.59 cr in FY21.
- Proximity to raw material Goa - Karnataka belt is the second largest producer of iron ore after Bihar - Orissa belt.

Credit Concerns:

- Working Capital intensive nature of business with company's GCA/Gross Sales reported at 41% in Fy19, primarily driven by significant inventory held by the company.
- Company's Net profit remained modest despite showing marginal rise. It is reported at 0.99% in Fy19 v/s 0.89% in Fy18.
- Business risk of the company is driven by fluctuating margins over the course of years on account of raw material prices. Demand for sponge iron is significantly dependent on the cyclical iron and steel industry.
- The industry is exposed to the negative impact of COVID 19 & lockdown on all the business parameters in FY21.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the entity to accelerate its scale of operations, increase its profit margins, compliance of bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive or rating may be upgraded if the company is able to sustain its growth and profit margins. Any additional infusion of share's capital would help to improve its capital structure of the entity.

Negative: The rating outlook may be revised to negative or rating may be downgraded if the entity achieves lower revenue and profit margins than projected.

LIQUIDITY POSITION: Adequate

The cash and cash equivalents of Ambey Metallic Pvt. Ltd. stands at Rs 1.91 Cr in FY19. The current ratio of the company stands at 1.42 x in FY19. The company has negligible current investment. Its average monthly bank CC utilization stood at 80%. The company does not have any long term borrowing except vehicle loan.

COMPANY PROFILE

Goa based Ambey Metallic Pvt.Ltd was engaged in manufacturing of sponge iron for use in billet/ingot manufacturing. AMPL has installed capacity of 36000 metric tonnes per annum. The company is promoted by Mr. Sunil Garg , Vinod Agarwal and Mr.Pawan Bansal.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	83.88	71.49
EBITDA	₹ Cr	0.83	0.64
PAT	₹ Cr	3.33	2.08
TNW	₹ Cr	18.13	17.31
Total Debt/TNW	Times	0.85	0.19
Current Ratio	Times	1.42	1.55

On a Provisional basis : The entity reported Operating revenue reported Rs. 56.90 Crs , EBITDA Rs. 2.42 Crs , PAT Rs. 0.85 crs , TNW Rs. 18.99 Crs , total debt to TNW 1.30x and current ratio 1.64 x in FY20.

KEY COVENANTS OF THE FACILITY RATED: NA
NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:NA

RATING HISTORY FOR LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities	Current Rating 2020			Rating History				
Bank Loan	Current Rating			21 May 2019			2018	2018
	FB	5.65	BWR BB+ Stable (Reaffirmed)	FB	5.65	BWR BB+ Stable (Assigned)	NA	NA
	NFB	24.35	BWR A4+ (Reaffirmed)	NFB	24.35	BWR A4+ (Assigned)		

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short term Debt](#)
- [Manufacturing Companies](#)

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ANNEXURE I

**Ambey Metallic Pvt. Ltd.
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.	Fund Based: Punjab National Bank	Fund Based	5.65	-	5.65
2.	Non Fund Based: Punjab National Bank	Non Fund Based	-	24.35	24.35
TOTAL					30.00

Rupees Thirty Crores Only



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