



Rating Rationale

Ambica Iron & Steel Pvt Ltd

24 Jan 2019

Brickwork Ratings assigns BWR BB- (Outlook: Stable) for the Bank Loan Facility of Rs. 7.80 Crore of Ambica Iron & Steel Pvt Ltd ('AISPL' or 'the company').

Particulars

Facility [#]	Amount (Rs. Crs)	Tenure	Rating [*]
Fund Based			
Secured Overdraft	7.80	Long Term	BWR BB- Pronounced as BWR Double B Minus (Outlook: Stable)
Total	Rs. 7.80 (Rupees Seven Crore and Eighty Lakhs Only)		

* Annexure I provides bank wise details of facilities.

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

Rating Assigned

Rationale/Description of Key Ratings Drivers/Ratings Sensitivities:

BWR has essentially relied upon the audited financials upto FY18, projected financials of FY19, and FY20, publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experience of promoter in the manufacturing industry, moderate scale of operations, moderate capital structure, established relationships with clientele, moderate debt service coverage metrics and liquidity position. However, the rating is constrained by Exposure to competition coupled with susceptibility to volatile raw material prices, Vulnerability to cyclical in the steel industry and working capital intensive nature of operations.

Going forward, the ability of the company to increase its scale of operations, improve its profitability, strengthen its overall credit profile and manage its working capital efficiently would be the key ratings sensitivities.

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Key Ratings drivers

Strengths:

- **Promoter's experience in the manufacturing industry:** The promoter have more than two decades of experience in the manufacturing of structured steel products like MS Rounds, Flats, Angles, Channels, & Square bar Etc. business, which has helped them to understand local market dynamics and established relationships with customers and suppliers.
- **Growth in revenue:** Y-O-Y basis total operating income of the company is increasing, however, the company needs to improve the scale of operations to sustain its margins in the highly competitive environment. Total operating income of the company stood at Rs. 61.01 Crs as compared total operating income of Rs.45.81 Crs in FY17.
- **Moderate financial risk profile:** Financial risk profile is moderate with moderate capital structure and debt protection metrics. Share capital, gearing, interest service coverage ratio and debt service coverage ratio were around Rs.5.78 Crs, 1.27 times, 1.92 times and 2.14 times respectively as on 31st March 2018.

Constraints:

- **Vulnerability to cyclical in the steel industry:** The company primarily produces thermo-mechanically treated (TMT) bars, the market for which is highly fragmented and hence intensely competitive. Profitability is linked to the performance of the steel industry and also primary end-user segments such as infrastructure and real estate, which are vulnerable to cyclical. 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 value addition in the steel construction materials like TMT bars is also low, resulting in low product differentiation in the market. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.
- **Moderate working capital management and moderate liquidity:** The cash conversion cycle stood at 31 days in FY18 on account of receivable, inventory and payables days of 24, 30 and 22 respectively. The company's current ratio stood at 1.08 times in FY18.

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)

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Rating Outlook: Stable

BWR believes **Ambica Iron & Steel Pvt 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

Ambica Iron & Steel Pvt Ltd (AISPL) was incorporated in May 1983, with its registered office at Bisra Road, Rourkela, Odisha and the manufacturing plant located at Beldihi, Kalunga, Sunder Bagh, odisha. The Company is engaged in manufacturing of structured steel products like (Thermo Mechanically Treated) MS Rounds, Flats, Angles, Channels, & Square bar Etc. The current installed capacity of the plant is 40000 tons per annum and the utilized capacity is around 90% of the total capacity. The company has well established customer and suppliers base.

Mr. Sanjay Kumar Bansal and Mr. Akhil Gupta are the Managing Director and Director of the company respectively and also common directors in Cogent Steel and Pipes Pvt Ltd

Financial Performance

Ambica Iron & Steel Pvt Ltd reported revenue of Rs.61.01 Crs and PAT of Rs.0.64 Crs for FY18 as against revenue of Rs.45.81 Crs with a PAT of Rs.0.48 Crs for FY17. Tangible net worth was Rs.5.78 crore as on 31st March 2018. Total Debt was Rs.7.36 crore and current ratio was 1.20 times as on 31st March 2018. ISCR was 1.92 times as on 31st March 2018.

Key financial indicators are furnished in Annexure II

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Ratings History for the last three years

Sl. No.	Facility	Current Rating (2019)			Rating History		
		Type	Amount (Rs. Cr)	Rating	2018	2017	2016
1	Secured Overdraft	Long Term	7.80	BWR BB- Outlook: Stable Pronounced as BWR Double B Minus	NA	NA	NA
Total		Rs. 7.80 (Rupees Seven Crore and Eighty Lakhs Only)					

Status of Non Cooperation with other CRA: ACUITE Ratings has migrated its rating of the bank loan facility of the company to the Issuer Not Cooperating category on 22nd September 2018 in view of insufficient information to conduct a review of the rating.

CARE Ratings has migrated its rating of the bank loan facility of the company to the Issuer Not Cooperating category on 20th August 2018 in view of insufficient information to conduct a review of the rating.

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

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Annexure I
Ambica Iron & Steel Pvt Ltd
Rourkela, Odisha
Details of Rated Bank Facility

Bank	Facility	Type	Tenure	Amount (Rs. Crs)
Canara Bank , Vidya Nagar Branch, Rourkela, Odisha	Secured Overdraft	Fund Based	Long Term	7.80
Total				7.80

Annexure II
Key Financial Indicators

(Rs. Crore)	Units	31 March 2017 Audited	31 March 2018 Audited
Net Sales	(Rs. Crs)	45.81	61.01
EBITDA	(Rs. Crs)	2.09	1.66
Profit After Tax	(Rs. Crs)	0.48	0.64
Tangible Net Worth	(Rs. Crs)	5.11	5.78
Total Debt: Tangible Net Worth	Times	1.19	1.27
Current Ratio	Times	1.05	1.08

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For print and digital media

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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 Investors queries can be sent to 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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

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