

## Rating Report

### Brickwork Ratings assigns 'BWR BB-/A4' for the Bank Loan Facilities aggregating to ₹ 46.60 Crores of Amba Shakti Ipsat Ltd.

Brickwork Ratings has assigned following **Ratings**<sup>1</sup> for the Bank Loan Facilities of **Amba Shakti Ipsat Ltd (ASIL)**:-

Facility	Present Limits(Rs. Crs)	Tenure	Ratings
<b>Fund Based</b>			
Cash Credit	30.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) <b>(Outlook: Stable)</b>
<b>Non Fund Based</b>			
Guarantee	2.10	Short Term	BWR A4 (Pronounced BWR A Four)
Inland Foreign LC/Letter of comfort/Buyers Credit	12.00		
Forward	2.50		
<b>Total</b>	46.60	INR Forty Six Crores and Sixty Lakhs Only	

BWR has essentially relied upon audited financial results of AmbaShakti Ispat Ltd. up to FY15 and projected financial for FY16, publicly available information and information provided by the management.

The rating has, inter alia, factored in the management experience in its line of activity, an established track record, moderate net-worth, a diversified supplier and client base, and brand equity. The rating is, however, constrained by a stretched liquidity position, relatively low profitability, and competition from other well established players. The rating takes into account the fact that excise exemptions being availed by the company in the past will no longer be available.

#### Background:

ASIL, an ISO 9001 : 2000, 14001 & OHSAS 18001 certified company, is established at Kala Amb, Himachal Pradesh, with its registered office at Delhi.

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

It commenced commercial operations in July 2004, with an installed capacity of the unit is 96000 M.T.P.A. for the manufacture of MS/TMT Bars. The TMT bars manufactured by the company have also been accredited with 'Tempcore' certification by CRM Belgium. The company use the latest CONCAST technology for the casting of billets. The company markets its products in the states of Haryana, Punjab, Chandigarh, J&K, Himachal Pradesh & some parts of Uttarakhand in Northern India.

### **Financial Performance:**

ASIL's gross revenue from operations improved from ₹223.81 Crs in FY14 to ₹229.41 Crs in FY15, but net revenue from the operations declined from ₹226.40 in FY14 to ₹213.66 in FY15 as the period of excise exemption available under excise holiday scheme expired in 2014. During FY15, company reported operating loss of ₹9.94 Crs.

However, PAT for FY15 stood at ₹0.02 Crs on account of non-operating income of ₹10.17 Crs from commodity trading as against PAT of ₹0.56 Crs in FY14. The company's net-worth stood at ₹33.41 Crs and Debt-to-Equity ratio was around 1.14 times as on March 31, 2015. During 6M FY16, the company has achieved sales of ₹91.00Crs.

### **Credit Risk Analysis**

- The industry as a whole is going through a period of difficulty as visible from the fact that five out of the top ten private sector steel-producing companies are under severe stress. During the commodities boom, the steel industry expanded capacities indiscriminately, tanking up on bank funds. But the collapse of commodity prices has thrown a wrench into the works.
- Furthermore, excess capacity in China is leading to dumping, squeezing local makers. In order to combat this, the government has raised duty on flat products such as hot and cold rolled sheets and coils to 10% from 7.5%.
- The company can face cash crunch for short term as ISCR stood at -0.39 times for the year. Even though the company has an adequate debt cover as DSCR stood at 1.21 times, company needs to bring down the operational costs and increase profit margins.
- Net profit margin for the company stood at 0.01% which is on the lower side but the company is expected to perform better in the coming years. Further, the company has changed the process of introducing fuel for combustion and hence trying to bring down the power and fuel costs.
- The company has moderate tangible Net Worth of Rs. 33.41 Crores as on 31<sup>st</sup> March 2015.

**Rating Outlook:**

AMBA Shakti Ispat Ltd.'s performance over the next year is expected to be stable. Going forward, the company's ability to scale up its operations, improve profit margins, ensure timely infusion of equity, improve their capital structure will be the key rating sensitivities.

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**AMBA Shakti Ispat Ltd.(ASIL)**  
**Annexure – I**  
**Profit and Loss Statement**

<b>Profit and Loss Account</b>			
<b>Crores</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited	Audited
Gross Sales	168.18	223.81	229.41
Traded Goods Sales	0.00	2.59	0.00
Excise Duty/Sales Tax	0.00	0.00	15.75
<b>Net Sales</b>	<b>168.18</b>	<b>226.40</b>	<b>213.66</b>
<b>Total Operating Income</b>	<b>168.18</b>	<b>226.40</b>	<b>213.66</b>
<b>Operating Expenses</b>	<b>162.76</b>	<b>218.50</b>	<b>215.60</b>
<b>OPBDIT</b>	<b>5.42</b>	<b>7.90</b>	<b>-1.94</b>
Depreciation/Amortization/Impairment	1.26	2.33	3.05
<b>OPBIT</b>	<b>4.16</b>	<b>5.57</b>	<b>-4.99</b>
Interest and Finance Charges	3.27	4.82	4.96
<b>OPBT</b>	<b>0.89</b>	<b>0.75</b>	<b>-9.94</b>
Non Operating Income(Expenses)	0.01	0.17	10.17
<b>PBT</b>	<b>0.89</b>	<b>0.92</b>	<b>0.22</b>
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	0.01
Provision for Taxes	0.21	0.36	0.21
<b>PAT(Continuing Operations)</b>	<b>0.69</b>	<b>0.56</b>	<b>0.02</b>
<b>PAT</b>	<b>0.69</b>	<b>0.56</b>	<b>0.02</b>

**AMBA Shakti Ispat Ltd.(ASIL)  
Annexure – II  
Balance Sheet**

<b>Crores</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Liabilities</b>			
<b>EQUITY AND RESERVES</b>	<b>19.58</b>	<b>33.40</b>	<b>33.41</b>
Share capital	5.00	8.32	8.32
Reserves and Surplus	14.58	25.08	25.10
<b>Non-current liabilities</b>	<b>8.17</b>	<b>6.51</b>	<b>9.08</b>
Long-Term Borrowings	8.01	6.15	8.66
Deferred tax Liabilities (Net)	0.11	0.22	0.20
Long-Term Provisions	0.06	0.14	0.22
<b>Current liabilities</b>	<b>31.57</b>	<b>53.36</b>	<b>51.59</b>
Short-Term Borrowings	14.46	30.01	29.19
Current Portion Of Long Term Debt	1.83	1.65	0.23
Trade Payables	11.59	18.42	19.37
Other Current Liabilities	3.46	3.02	1.75
Short-Term Provisions	0.22	0.26	1.06
<b>Total Liabilities</b>	<b>59.32</b>	<b>93.27</b>	<b>94.09</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>12.53</b>	<b>22.37</b>	<b>21.62</b>
Net Fixed assets	10.24	18.05	16.98
Capital Work-In-Progress	0.00	0.27	0.40
Long Term Loans and Advances	1.07	1.70	1.86
Other Non Current Assets	1.22	2.34	2.38
<b>Current assets</b>	<b>46.79</b>	<b>70.90</b>	<b>72.47</b>
Inventories	17.40	29.40	22.19
Trade Receivables > Six Months	4.07	4.01	3.42
Trade Receivables < Six Months	16.36	25.37	23.44
Cash and Cash Equivalents	4.88	3.72	8.62
Short-Term Loans and Advances	0.76	7.49	12.50
Other Current Assets	3.32	0.91	2.30
<b>Total Assets</b>	<b>59.32</b>	<b>93.27</b>	<b>94.09</b>

**AMBA Shakti Ispat Ltd.(ASIL)**  
**Annexure – III**  
**Key Financial Ratios**

<b>Fields for Calculations</b>		<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Calculation of Working Capital for DSCR</b>				
Total Debt	Rs. Crores	24.30	37.82	38.07
Total Debt ( Analyzed)	Rs. Crores	24.30	32.94	36.88
Tangible Net Worth	Rs. Crores	19.58	33.40	33.41
Tangible Net Worth (Analyzed)	Rs. Crores	19.58	38.33	34.66
Capital Employed	Rs. Crores	43.99	71.44	71.69
Total Debt/TNW	Times	1.24	1.13	1.14
Total Debt/TNW(Analyzed)	Times	1.24	0.86	1.06
Long Term Debt/TNW	Times	0.41	0.18	0.26
TOL/TNW	Times	2.03	1.65	1.78
ISCR	Times	1.65	1.64	-0.39
ISCR(Analyzed)	Times	1.65	1.64	-0.39
DSCR	Times	0.79	1.16	1.21
DSCR(Analyzed)	Times	0.79	0.49	1.17
Net Cash Accruals/Total Debt	Times	0.08	0.08	0.08
Net Cash Accruals/Long Term Debt	Times	0.24	0.49	0.35
Net Cash Accruals/Long Term Debt( Analyzed)	Times	0.24	2.46	0.41
Net Profit Margin	%	0.41	0.25	0.01
Operating Profit Margin	%	3.22	3.49	-0.91
ROCE	%	9.47	9.65	-6.97
Current Ratio	Times	1.48	1.33	1.40
Current Ratio(Analyzed)	Times	1.35	1.25	1.34
Days Receivables	Days	48	40	48
Days Inventory	Days	35	40	44
Days Payable	Days	25	31	42
Conversion Cycle	Days	59	49	51