

Rating Report

Brickwork Ratings assigns “BWR B+” & ‘BWR A4’ for the Bank Loan Facilities of ₹ 105 Cr of Amba Shakti Udyog Ltd, New Delhi.

Brickwork Ratings (BWR) has assigned following **Ratings**¹ for Bank Loan Facilities of Amba Shakti Udyog Ltd (‘ASUL’ or the ‘Company’) New Delhi:

Facility*	Limits (₹ Cr)	Tenure	Rating
Fund Based Term Loans	50.00	Long Term	BWR B + (BWR B Plus) (Outlook: Stable)
Cash Credit	30.00		
Non Fund Based Bank Guarantee	5.00	Short Term	BWR A4 (BWR A Four)
ILC/FLC	20.00		
Total	105.00 (INR One Hundred and Five Crores Only)		

* Bank wise details sanctions mentioned in Annexure I

BWR has essentially relied upon projected financials up to FY16, publicly available information and information/clarifications provided by the Company.

The ratings have, inter alia, factored the experienced management, the Group’s established presence in the steel industry, easy availability of raw materials and backward integrated nature of operations. The ratings are, however, constrained by the highly competitive and fragmented nature of industry, project completion risk, postponed COD and other uncertainties associated with the project affecting the cash flows.

Company Background:

Amba Shakti Udyog Limited was incorporated in March 2014 and has its registered office in Delhi. KPPPL intends to set up an Automatic Steel Plant consisting steel re-rolling unit with the production capacity of 150,000 MTPA for manufacturing of TMT (Thermo Mechanical Treated) Steel/bars/channels etc. and 2 Induction Furnaces with concast machine having installed capacity of 150,000 MTPA for manufacturing M.S. Billets. The plant is situated at Banmore Industrial Area, District Morena (Madhya Pradesh). The commercial production of the unit is proposed to be started w.e.f. June 2015.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The aggregate cost of the project is Rs. 94.58 Crs, funded by promoter's contribution of Rs. 44.58 Crs and remaining Rs. 50.00 Crs by way of term loans from Banks.

The major raw material to be used for the production of M.S. Billets is Sponge iron which is easily available in sufficient quantity in the nearby area of Chhattisgarh. Thus, the Company has backward integrated nature of operations whereby MS billets and ingots requirement is manufactured in-house and is being utilized for the production of TMT bars/channels/angles etc.

Group Profile:

Amba Shakti Udyog Limited is a part of AMBA Group engaged in the steel manufacturing. The Group has established presence in Uttar Pradesh, Uttaranchal, Delhi, Haryana, Maharashtra, Himachal Pradesh and Punjab. The brand name of the products is well known as AMBA SARIA. The major companies of Amba Group are Amba Shakti Steels Ltd and Amba Shakti Ispat Ltd.

Name of the Group Concern	Business Activity	T. Networth (Rs Cr)	N. Sales (Rs. Cr)	PAT (Rs Cr)	Existing Credit Rating
Amba Shakti Ispat Ltd	Manufactures TMT bars & structures	19.58	168.18	0.69	CRISIL BB-/A4+ (Stable) Sept 2014
Amba Shakti Steels Ltd		28.12	200.26	0.50	CRISIL BB/A4+ (Stable) Dec 2014
Durga Ispat Pvt. Ltd		2.61	18.57	0.06	Not rated
Sudershan Fruits & Vegetables	Cold storage	1.47	0.44	0.11	Not rated
Sudershan Motors	Petrol pump	1.07	15.63	0.11	Not rated
Total		52.85	403.08	1.47	

Management Profile:

Mr. Surender Kumar Goel, Mr. Akshat Goel and Mr. Sanjeev Gupta are the directors of the Company. Mr. Surender Kumar Goel who possess over four decades of experience looks after the production activities of the Group, Mr. Akshat Goel handles day to day affairs of Amba Shakti Ispat Ltd and Mr. Sanjeev Gupta handles the affairs of Amba Shakti Udyog Limited.

Financials:

As the plant is yet to commence operations, only projections are examined.

Details of the Installed Capacity:

Facilities	Products	Capacities
Amba Shakti Udyog Ltd (Yet to be Rated Company)		
Rolling Mill	MS/TMT Bars/Angle/Channel	1,50,000 MTPA
Induction Furnace (25MT) with concast	Billets/Ingots	1,50,000 MTPA
Amba Shakti Ispat Ltd (Group Company)		
Rolling Mill	MS/TMT Bars/Angle/Channel	96,000 MTPA
Amba Shakti Steels Ltd (Group Company)		
Rolling Mill	TMT Bars/angles	95,000 MTPA
Induction Furnace	Ingots	60,000 MTPA

Current Status of the Project

Particulars	Status as on 31.10.2014 (LIE Report)	Status as on 31.01.2015
Induction Furnace Shed		
Excavation Work	RCC Foundation work for column completed	RCC Foundation work for column completed
RCC Foundation Work		
Column foundation Work		
Erection of structures	Erection of column is in progress	Complete
Fixing of trusses & Purlins work		Complete
Roofing & Sheeting work		90% Complete
Concast Shed		
Excavation Work	RCC Foundation for column for concast shed is completed & for machinery 30% is completed	RCC Foundation for column for concast shed is completed & for machinery 70% is completed
RCC Foundation Work		
Column foundation Work		
Erection of structures	Erection of steel column is yet to start	Complete

Fixing of trusses & Purlins work		Complete
Roofing & Sheeting work		90% Complete
Rolling Mill Shed		
Excavation Work	Civil work for 40 out of 50 Nos. columns is completed	Complete
RCC Foundation Work		
Column foundation Work	Civil work of machinery foundation 10 out of 14 stands completed	Civil work of machinery foundation 10 out of 14 stands completed and base plate of machinery erected
Erection of structures	Erection of structural columns is in progress, out of 50 nos. 22 nos is in progress	Complete
Fixing of trusses & Purlins work		Complete
Roofing & Sheeting work		60% Complete

Requisite Clearance Obtained: At present, the Company has obtained requisite approvals and clearances for the project under implementation except the approval for environmental clearance from MP-SEIAA which takes about 5-6 months, however the Company has obtained Provisional consent to establish from MP Pollution.

Revised COD: COD has been revised to June 2015 from April 2015 due to delay in disbursement of the term loans by the banks.

Consent to Establish: The Company has obtained provisional consent to establish order from Madhya Pradesh Pollution Control Board vide consent no. CTE-43457 dated 18.08.2014. The validity period in the order will be 5 years from the date of CTE (NOC) Order.

Power Availability:

Initial Power Arrangement: At present, the Company has availability of connected load of 95HP for construction and general purpose at the site.

Power Requirement for Operations: 25 MW will be required and the Company has applied to the Madhya Pradesh Electricity Board (MPEB). Company has obtained NOC from MP Distribution Co. Ltd, Gwalior for estimate of expenses to establish 132 KVA double circuit line for obtaining industrial connected load of 25 MVA.

Raw Material Availability: For manufacturing TMT bars/Channels/Angles etc. major raw material required is Billets which is entirely supply by its own concast machine installed of 50 MT in the same premises. For Billets manufacturing, major raw materials required are sponge iron & iron scraps which are easily available in sufficient quantity in the nearby area of Chattisgarh.

Rating Outlook

The project, is under active implementation and is expected to commence operations as scheduled. The ability of the Company to start its commercial production and establish a track record of sustainable operations amidst intense competition in the steel industry would remain the key sensitivity.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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.

Amba Shakti Udyog Limited

Annexure I

Name of the Bank	Facility**	Tenure	Sanctioned Limits in Amt.(Rs Cr)	Sanctioned Date
Oriental Bank of Commerce	Fund Based Cash Credit Limit	Long Term	15.00	24-Sep-14
	Term Loan Limit		25.00	
Dena Bank	Cash Credit Limit		15.00	26-Nov-14
	Term Loan Limit		25.00	
	Non Fund Based Bank Guarantee	5.00		
	ILC/FLC	5.00		
Oriental Bank of Commerce	ILC/FLC	Short Term	15.00	24-Sep-14
Total			105.00	

** This is only a sanctioned limit, the banks have not yet permitted drawings by the client from the sanctioned limits. Consortium bank facilities