

**Press Release**

**Amitasha Enterprises Private Limited**

**January 09, 2020**

**Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (INR Crore)</b>	<b>Rating Assigned</b>
1.	Long Term Fund Based Facility - Cash Credit	50.00*	IVR BBB- Stable Outlook (IVR Triple B Minus with Stable Outlook)
3.	Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	35.00**	IVR BBB- Stable Outlook (IVR Triple B Minus with Stable Outlook)/IVR A3 (IVR A Three)
4.	Short Term Non-Fund Based Facility – Letter of Credit	40.00	IVR A3 (IVR A Three)

\*Includes INR 1.00 Crore of proposed limit

\*\*Includes INR 5.00 Crore of proposed limit

**Details of Facilities are in Annexure I**

**Detailed Rationale**

The rating derives strength from experienced promoters and management team, diversified client base, End-to-end engineering service, Location specific benefits in procurement of raw materials and favorable demand prospects for heavy steel structures. The rating however is constrained by moderate capital structure & debt protection metrics, working capital intensive nature of operation, thin EBITDA margins, profitability vulnerable to fluctuations in raw material prices, moderate order book, regulatory changes and intense competition in the industry.

**Key Rating Sensitivities**

**Upward revision factors:**

Substantial & sustained improvement in revenue and/or profitability leading to interest coverage of more than 2x on a sustained basis.

**Downward revision factors:**

Any decline in revenue and/or profitability leading to interest coverage of less than 1.25x on as sustained basis

## List of key rating drivers with detailed description

### Key Rating Strengths

- **Experienced promoters & management team:**

The company is being managed by experienced directors, Mr. Rajendra Singh (Managing Director) and Mr. Yogendra. M. Singh (Director). Collectively, they have rich experience in the particular industry and are instrumental in setting up and developing the company. Having operated in industry since years now, the promoters have established a strong network with suppliers and customers. The company has a team of experienced and capable professionals, having over a two decade of experience in the segment, to look after the overall management. The day-to-day operations of the company are looked after by the senior management having considerable experience with technological background.

- **Diversified client base:**

With promoters' extensive experience, established network and effective completion of projects in the scheduled time, the company has been able to gather a diversified client base. The clients range in sectors across Transmission and Distribution, Railway Electrification Structures, Telecommunication Towers, Galvanized Structures. They are now gradually diversifying into Infrastructure based EPC contractors, solar panel manufacturers.

- **End-to-End engineering service:**

Amitasha Enterprises offers a comprehensive range of steel structure with the scope of service extending from complete Engineering Design to Drawing, Manufacture, Supply & Installation. As a step taken towards providing better and comprehensive service to its clients, the promoters have set up a sister concern as a parallel facility under the name of Anshika Fastners Pvt. Ltd; located adjacent to the unit II of Amitasha Enterprises. The facility ensures uninterrupted supply of Galvanized Blots, Nuts, Washers, Step Bolts and Anti-theft Bolts. All the transactions are at the arm length.

- **Location specific benefits:**

Being located at Nagpur has given Amitasha Enterprises a large logistic advantage in terms of easy and fast procurement of major raw materials like steel, zinc and fuel oil. Nagpur has now emerged as a big hub for rolled steel angle sections, which constitutes about 90% of the tower components. This has enabled Amitasha Enterprises to maintain a relatively low inventory as the planning and procurement is more or less on Just in Time basis.

- **Favorable demand prospects for heavy steel structures:**

Demand prospects for steel structures in India are favorable, with increasing focus on their use across segments such as building construction, roads, bridges, ports, airports, etc. Further the government's increasing interest in infrastructure development augur well for the fabrication industry.

## **Key Rating Weaknesses**

- **Moderate capital structure & debt protection metrics:**

The Interest coverage ratio of the company stood at 1.27x in FY 19 and 1.58x in FY18. The overall capital structure of the company is moderate. The company also infused compulsorily convertible debentures of INR 15.0 crore for a healthy working of day to day operations. Overall gearing & TOL/TNW remains at 0.93x & 1.56x respectively in FY19.

- **Working capital intensive nature of operation:**

The working capital requirement of the company is large & volatile due to fluctuating raw material prices & high operating cycle. The Operating Cycle of the Company was 177 days as at FY19 & 116 days as at FY18.

- **Thin EBITDA Margin, profitability vulnerable to fluctuations in raw material prices and regulatory changes:**

The profit margins of the company are exposed to fluctuations in raw iron prices, which depend on various factors such as macro & micro economic factors, market saturation and economic slowdown in general. The EBITDA margins of the company remain thin at 5.93% in FY19 and 4.77% in FY18. However, presences of escalation clause in most of the contracts protect the margin to an extent.

- **Moderate order book position:**

Amitasha Enterprises has an outstanding order book of around Rs.121.79 crore as on December beginning, 2019, indicating moderate revenue visibility for short to medium term. The order book is diversified across various business verticals such as solar, exports, telecom and towers. Also, the total sales for IHFY20 was around INR 108.22 Crore as per the provisional figures. One time increase in the revenue in FY18 was due to one large order.

- **Intensely competitive industry:**

Given marginal capital investment requirements and low technical complexity, the steel fabrication industry is highly fragmented with numerous unorganized players. Further, there are organized domestic players as well as international suppliers, who work in joint venture with domestic companies or as subcontractors for large companies, posing intense competition.

## **Analytical Approach & Applicable Criteria**

Standalone

Rating methodology for Manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

## **Liquidity**

Overall the liquidity position of the company is expected to remain Adequate. The Company DSCR has been moderate and cash and bank balance is sufficient to meet its liquidity requirements. The company's cash and bank balances stood at INR 9.63 (includes restricted cash of INR 9.53 crore as FD with banks with maturity of more than a year) Crore in FY19. The average fund based working capital utilisation remained comfortable at 79% during the last twelve months ended November 2019.

## **About the Company**

Amitasha Enterprises Private limited was established in 1993 for Transmission Line Towers, Substation, Structures, Telecommunication towers, Electrification structures, Solar structures and Railway electrification poles. The company, after a successful business existence of past twenty-five years with KEC International Ltd., Power Grid Corporation of India Ltd., various State Electricity Boards and International buyers, have touched manufacturing capacity up to

42,000 Mt per annum. The company has also installed 9000 Mt. capacity of cold Roll solar structure plant from 2013-14 to 2015-16 on account of solar project demand in India. The Company has ventured into a different segment i.e. Manufacturing of Railway Engineering structures in the Month of May, 2018 and successfully manufactured 7976 Mt. in the FY 2018-2019. The company has two manufacturing facilities set up in Hingna Road Industrial Area of Nagpur.

**Financials (Standalone)**

**INR Crore**

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	314.63	225.90
EBITDA	15.02	13.40
PAT	2.11	0.73
Total Debt	87.63	78.35
Tangible Networth	68.65	84.38
EBITDA Margin (%)	4.77	5.93
PAT Margin (%)	0.66	0.33
Overall Gearing Ratio (x)	1.28	0.93

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: N.A**

**Any other information: N.A**

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	50.00	IVR BBB- /Stable Outlook	--	--	--
2.	Non-Fund Based Facility – Letter of Credit	Short Term	40.00	IVR A3	--	--	--
3.	Non-Fund Based Facility - Bank Guarantee	Long Term/ Short Term	35.00	IVR BBB- Stable Outlook/ IVR A3			

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## **About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (INR Crore)</b>	<b>Rating Assigned/ Outlook</b>
Cash Credit	--	--	--	50.00	IVR BBB- / Stable Outlook
Letter of Credit	--	--	--	40.00	IVR A3
Bank Guarantee				35.00	IVR BBB- Stable Outlook/ IVR A3