Press Release

Amitasha Enterprises Private Limited (AEPL)

April 06th, 2021

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facility – Cash Credit	44.00 (Reduced from INR50.00 Crore)	IVR BB+; Credit Watch with Developing Implication (IVR Double B Plus; Credit Watch with Developing Implication)	Rating Revised and placed under Credit Watch with Developing Implication
2	Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	50.60 (Increased from INR35.00 Crore)	IVR BB+; Credit Watch with Developing Implication (IVR Double B Plus; Credit Watch with Developing Implication)/ IVR A4+; Credit Watch with Developing Implication (IVR Single A Four Plus; Credit Watch with Developing Implication)	Rating Revised and placed under Credit Watch with Developing Implication
3	Short Term Non-Fund Based Facility – Letter of Credit	18.40 (Reduced from INR40.00 Crore)	IVR A4+; Credit Watch with Developing Implication (IVR Single A Four Plus; Credit Watch with Developing Implication)	Rating Revised and placed under Credit Watch with Developing Implication
4	Long Term Bank Facility – Demand Loans (CECL & GECL)	11.02	IVR BB+ (Credit Watch with Developing Implication) (IVR Double B Plus; Credit Watch with Developing Implication)	Assigned and placed under Credit Watch with Developing Implication
	Total	**124.02**		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating & placement of rating on credit watch with developing implication to the above-mentioned bank facilities of Amitasha Enterprises Private Limited (AEPL) is on account of Y-o-Y decline in the Company's operational performance and debt protection metrics. The revenue declined to INR169.38 Crore in FY20 when compared to INR226.69 Crore in FY19 and INR314.62 Crore in FY18. The operating profit margin also declined to 5.41% in FY20 as against 6.26% in FY19. Consequently, decline in coverage indicators is also observed. Further, Covid-19 led pandemic have impacted the business operations of AEPL and hence, the Company managed to report muted sales of INR86.02 Crore in

9MFY21 (unaudited) after witnessing a no-show in Q1FY21 due to the nationwide lockdown. The operating cycle remained stretched on account of working capital-intensive nature of operations.

The rating continues to derive strength from experienced promoters and management team, location specific benefits & diversified client base and moderate financial risk profile. However, the rating strengths are partially offset by working capital intensive nature of operation, moderation in scale of operations & profitability metrics, Moderate order book of INR88.71 Crore as on March 01st, 2021 amid the intensely competitive industry.

The agency also takes the note of COVID induced delay in LC payment.

Key Rating Sensitivities:

- **Upward Factor**
  - Substantial & sustained improvement in revenue backed by order book growth and profitability leading to improvement in debt protection metrics.
- **Downward Factor**
  - Any decline in revenue and/or profitability leading to deterioration in liquidity position and/or debt protection metrics.

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.

- ***Location specific benefits & diversified client base:***

Being located at Nagpur has given AEPL 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 AEPL to maintain relatively low inventory as the planning and procurement is more or less on Just in Time basis.

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 clientele ranges in sectors across Transmission and Distribution, Railway Electrification Structures, Telecommunication Towers, Galvanized Structures. In order to mitigate the risk associated of being involved with one particular end user industry, the Company is now gradually diversifying into Infrastructure based EPC contracts, solar panel manufacturers as well.

- ***Moderate financial risk profile:***

The moderate financial risk profile is marked by modest net worth, gearing and debt protection metrics. The net worth of the Company stood at INR68.24 Crore as on March 31st, 2020, on account of sustained accumulation of profits into reserves over the years. Working capital borrowings and redeemable debentures majorly accounted for the Company's total debt exposure. AEPL's outstanding debt exposure declined to INR75.97 Crore as on March 31st, 2020 as against INR93.35 Crore as on March 31st, 2019. Modest capital structure coupled with restrained debt levels improved the overall gearing levels at 1.11x as on March 31st, 2020 when compared to 1.35x as on March 31st, 2019.

Key Rating Weaknesses

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

The operating cycle stood stretched at 214 days in FY20 when compared to 179 days in FY19, marked by high debtor and inventory days. Given the working capital-intensive nature of industry, a considerable part of the working capital remains blocked in retention money. Further, the Company's revenue is skewed towards the last two quarters with higher proportion in the last quarter of the fiscal. Consequently, the year-end receivables generally remained high. The collection period thus remained high and stretched at 202 days in FY20 as against 170 days in FY19. The inventory period has increased to 95 days in FY20 as against 68 days in FY19, due to hold back of inventory at the facility for its executed contracts due to the nationwide lockdown. The average working capital limits are utilized at 89.31% during the last twelve months ended January 2021. The ability of the Company to effectively manage its working capital cycle shall remain a key rating sensitivity.

- ***Moderation in scale of operations, profitability metrics:***

AEPL witnessed moderation in scale of operations as seen from the decline in its total operating income to INR163.38 Crore in FY20 as against INR226.69 Crore. Covid-19 led disruptions further impacted the Company's business risk profile. Unable to book adequate sales in the last 2 months of FY20 on account of the early Covid-19 scare, the Company reported a loss, as the Company had to honour fixed cost while taking a beating on its revenue generation. Altogether, the Company managed to report subdued sales of INR86.02 Crore in 9MFY21. 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 operational profitability margins of the company remained thin at 5.41% in FY20. Going forward, moderate order book position of INR88.71 Crore as on March 01st, 2021 and favorable demand prospects for steel structures in India, with increasing focus on their use across various segments shall help the Company to grow steadily once the business operations are normalized.

- ***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.

- ***COVID induced delay in LC payment:***

There were certain instances of LC devolvement in the 1st quarter of FY21, due to the impact of Covid-19 induced lockdown. Further, in June 2020, one of its lender had permitted one way interchangeability of LC to CC to the tune of INR6.00 Crore for period up to December 2020 leading to subsequent regularisation of accounts.

The agency is not treating this as a default as per the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020. The same is being treated as lockdown induced delay in servicing of debt obligation.

Analytical Approach &Applicable Criteria:

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity is expected to remain adequate in the medium term, on account of minimum exposure towards long term debt thereby limiting current maturities for the year, moderate cash & bank balance of INR6.74 Crore as on March 31st, 2020 (cash balances of INR0.10 Crore and bank balances of INR6.64 Crore) and improved current ratio of 1.61x as on March 31st, 2020.

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 two manufacturing facilities set up in Hingna Road Industrial Area of Nagpur.

Financials: **(INR Crore)**

For the year ended/ As On*	**31-03-2019 (Audited)**	**31-03-2020 (Audited)**
Total Operating Income	226.69	169.38
EBITDA	14.19	9.16
PAT	0.72	(1.07)
Total Debt	93.35	75.97
Tangible Net worth	69.30	68.24
EBITDA (%)	6.26	5.41
PAT (%)	0.32	(0.63)
Gearing Ratio (x)	0.93	1.11

** 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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (January 09th, 2020)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	44.00	IVR BB+; Credit Watch with Developing Implication	IVR BBB-/Stable	--	--
2.	Long Term/Short Term Non Fund Based Facility - Bank Guarantee	Long Term/ Short Term	50.60	IVR BB+; Credit Watch with Developing Implication/ IVR A4+; Credit Watch with Developing Implication	IVR BBB-/Stable & IVR A3	--	--
3.	Short Term Non-Fund Based Facility – Letter of Credit	Short Term	18.40	IVR A4+; Credit Watch with Developing Implication	IVR A3	--	--
4.	Long Term Bank Facility – Demand Loans (CECL & GECL)	Long Term	11.02	IVR BB+; Credit Watch with Developing Implication	--	--	--

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.

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About Infomerics:

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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

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	44.00	NA	NA	NA	IVR BB+; Credit Watch with Developing Implication
Long Term/Short Term Non Fund Based Facility - Bank Guarantee	50.60	NA	NA	NA	IVR BB+; Credit Watch with Developing Implication/ IVR A4+; Credit Watch with Developing Implication
Short Term Non-Fund Based Facility – Letter of Credit	18.40	NA	NA	NA	IVR A4+; Credit Watch with Developing Implication
Long Term Bank Facility – Demand Loans (CECL & GECL)	11.02	NA	NA	Varies from April 2022 & March 2025	IVR BB+; Credit Watch with Developing Implication