



Infomerics Valuation And Rating Pvt. Ltd.

Amba Shakti Industries Limited

August 29, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	64.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Bank Facilities- Short Term	15.00	IVR A3 (IVR A three)
	Total	79.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from its experienced promoters and management, government sops and locational advantage, diversified market presence, and incorporation of efficient technology. These strengths are partially offset by cyclicalities in the steel industry and timely completion of the project. Timely completion of the project and achieving the projected margins are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter and management

ASIL is promoted by Mr. Surender Kumar Goel, who has an experience of over 50 years in steel industry by virtue of establishing AMBA group with manufacturing units under the name of M/s Amba Shakti Ispat Ltd., M/s Durga Ispat Ltd., M/s Amba Shakti Udyog Ltd. and M/s Goa Ispat Ltd. Company is guided by experienced management, having minimum experience of 20 years in the respective domains.



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Government sops and locational advantage

Project comes under the UP industrial investment policy. This makes it entitled for reimbursement of GST deposited annually to the tune of 70% for Mega projects for 10 years. Capital Interest Subsidy to the extent of 5% per annum in the form of reimbursement on loan taken for the procurement of Plant & Machinery for 5 years subject to an annual ceiling of Rs. 50 lacs will be availed to the proposed project and exemption of Electricity Duty at 15% to the project for 10 years. The plant enjoys a locational advantage due to proximity to ICD terminal Dadri (12 km from the plant), which helps in convenient and cheap transportation of raw materials and finished products.

Diversified market presence

AMBA Group has a strong presence across 11 states namely, MP, UP, Rajasthan, Haryana, Himachal Pradesh, Punjab, Delhi, Kerala, Maharashtra, Karnataka and Goa. The Group has strategically established plants at various location across the country to maximise its presence.

Installation of efficient technology

ASIL's plant has implemented CCM (Continuous Casting Machine) technology which is used to manufacture the billets, which further acts as raw material for TMT bars. Billet formation with the previous ingot method involves the reheating of the intermediary product, which is completely eliminated by latest technology. This has led to improved efficiency in the form of energy conservation and significant savings.

Key Rating Weaknesses

Timely completion of project

ASIL has projected to start the operations in January 2020. Any delays in the installation of plant and machinery would lead to time and cost overruns. Timely completion of the project is critical to achieve the envisaged capacity utilisation and by extension the projected revenue targets.



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Cyclicality in the steel industry

The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices. But, the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened in the recently, coupled with robust demand in the domestic markets in India.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

ASIL is projected to maintain an adequate level inflow and the same is expected to increase gradually with increase in capacity utilization. Going forward, the long term debt is likely to reduce indicating lower debt servicing obligations. The interest coverage ratio is projected at 2.55x in FY20 and 3.43x in FY21. Current ratio and quick ratio is projected to be maintained moderately in FY20 at 1.15x and 0.75 respectively. All these factors indicate adequate degree of liquidity support to the company in meeting its debt obligations.

About the Company

AMBA Group of Industries incorporated in 1973 by establishing the first manual rolling mill at Meerut Road, Muzaffarnagar (U.P.) in the name of Durga Ispat Ltd. (DIL). The group has set up various steel industries equipped with modern technology in the states of Uttar Pradesh, Goa, Himachal Pradesh and Madhya Pradesh. The group is also running L.P.G. Cylinders Unit at Noida (Uttar Pradesh). Amba shakti Industries Limited (ASIL) is a closely held public limited company, incorporated in May 2013 and is a part of AMBA Group. The company is promoted with an objective to undertake the business of manufacturing of TMT steel, Billets.



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Financials (Standalone):

The company is in project implementation stage and hence, financial performance is not applicable.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. 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.	Long Term Fund Based Limits – Long term loan	Long Term	39.00	IVR BBB-/Stable	-	-	-
2.	Long Term Fund Based Limits – Cash Credit	Long Term	25.00	IVR BBB-/Stable	-	-	-



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3.	Short Term Non-Fund Based Limits – Letter of Credit/Bank Guarantee	Short Term	15.00	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.

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Long Term Loan	-	To be decided	To be decided	39.00	IVR BBB- /Stable
Long Term Bank Facilities- Cash Credit	-	To be decided	On demand	25.00	IVR BBB- /Stable
Short Term Bank Facilities – Letter of Credit/Bank Guarantee	-	To be decided	Less than one year	15.00	IVR A3