



Press Release

ATMASTCO Limited

May 18, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	45.41	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	83.59	IVR A3 (IVR A three)	Assigned	Simple
Total	129.00 (INR One Twenty- Nine Crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of ATMASTCO Limited considers the experience of promoters with established track record in the business, long track record of accomplishment of operations and acumen with proven project execution capability, reputed clientele and strong order book position reflecting comfortable medium-term revenue visibility. However, the rating is constrained by high working capital intensive nature of operations, leveraged capital structure and moderate coverage indicators, and susceptibility of operating margin to volatile input prices.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with established track record in the business

The promoters of the company have been in the industry for around three decades. They have successful operational track record in industry which has helped in establishing a healthy relationship with the customers as it has been getting regular repeat orders from its clients.

Long track record of accomplishment of operations and acumen with proven project execution capability

Being in operation since 1994, the company has a vast record of accomplishment of almost three decades. Over the years, the company has acquired strong fabrication and erection acumen through its successful operations and has completed number of large, medium and small-sized projects across India, ensuring timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

Reputed clientele

Over the years of its operations, the company has established a strong business relationship with various government departments as well as private clients. It has undertaken fabrication and erection services of plants for clients, which include BHEL, NDMC, Reliance Industries, Indian oil Corporation etc.

Strong order book position reflecting comfortable medium-term revenue visibility

ATMASTCO has a strong unexecuted order book of Rs.574.73 Crores as on March 31st, 2022, which is about 4.92x of the total operating income reported in FY22(P). This indicates a comfortable near to medium term revenue visibility.



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Key Rating Weaknesses

High working capital intensive nature of operations

The operations of the company are working capital intensive as depicted by high working capital limit utilization which stood at 96.74% during last 12 months ended March 2022. Also, the operating cycle of the company remained stretched and stood at 202 days in FY22(P) on account of higher inventory period of around 180 days.

Leveraged capital structure and moderate coverage indicators

Due to its working capital-intensive nature of operations with higher reliance on bank borrowings the capital structure of the company continued to remain leveraged. The overall gearing stood at 1.10x. TOL/TNW also stood at 1.58x as on March 31, 2022(P). The interest coverage indicator stood moderate at 1.98 times in FY22(P).

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement, which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY23-25. The company is expected to earn Gross Cash Accruals (GCA) of Rs.13.33



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crores in FY23 as against its repayment obligation of Rs.0.70 crores. Also, the company's current ratio stands at 1.60x. However, the working capital utilization of company stood at ~97% during past 12 months ended March 2022.

About the Company

ATMASTCO Limited is a multidisciplinary engineering company for design, manufacture, supply, erection and commissioning of high precision mechanical equipment and specialized heavy structures for core industrial sectors like steel, energy and power, railway, cement, infrastructure, water systems etc. The company has 2 units in Bhilai and Trichy each.

Financials (Standalone)	(Rs. crore)	
For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	69.39	116.90
EBITDA	9.44	17.80
PAT	0.60	6.84
Total Debt	54.30	50.58
Tangible Net worth	39.12	45.96
EBITDA Margin (%)	13.61	15.23
PAT Margin (%)	0.86	5.82
Overall Gearing Ratio (x)	1.39	1.10
Interest Coverage Ratio (x)	1.42	1.98

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

India Ratings and Research (Ind-Ra) has migrated ATMASTCO Ltd.'s Long-Term Issuer Rating to the non-cooperating category vide its press release dated 4th May 2022. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency.

Despite CARE Ratings repeated requests, the company has not provided the requisite information for monitoring the ratings. Therefore, CARE vide its press release dated 17th March 2020 moved the ratings to Issuer not co-operating category.

Any other information: NIL



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Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	2.32	IVR BBB-/ Stable	-	-	-
2.	GECL	Long Term	9.59	IVR BBB-/ Stable	-	-	-
3.	Cash Credit	Long Term	33.50	IVR BBB-/ Stable	-	-	-
4.	Standby Line of Credit	Short Term	5.00	IVR A3	-	-	-
5.	Letter of Credit	Short Term	15.00	IVR A3	-	-	-
6.	Bank Guarantee	Short Term	63.00	IVR A3	-	-	-
7.	Foreign Letter of Credit*	Short Term	(3.00)	IVR A3	-	-	-
8.	Proposed non-fund based	Short Term	0.59	IVR A3	-	-	-

*Sublimit of LC

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	FY24	2.32	IVR BBB-/ Stable
GECL	-	-	FY25	6.03	IVR BBB-/ Stable



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GECL 1.0(Extension)	-	-	FY27	3.56	IVR BBB-/ Stable
Cash Credit -I	-	-	-	2.00	IVR BBB-/ Stable
Cash Credit -II	-	-	-	26.50	IVR BBB-/ Stable
Cash Credit-III	-	-	-	5.00	IVR BBB-/ Stable
Standby Line of Credit	-	-	-	5.00	IVR A3
Letter of Credit	-	-	-	15.00	IVR A3
Bank Guarantee	-	-	-	40.00	IVR A3
Inland Bank Guarantee	-	-	-	23.00	IVR A3
Foreign Letter of Credit*	-	-	-	(3.00)	IVR A3
Proposed non-fund based	-	-	-	0.59	IVR A3

*Sublimit of LC

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ATMASTCO-may22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

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.