



Press Release

Amba Shakti Industries Limited

March 02, 2022

Ratings

Sl. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Rating Action	Complexity Indicator
1.	Long Term Fund Based Bank Facility- Term Loans	49.00	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Revised	Simple
2.	Long Term Fund Based Bank Facility- Cash Credit	25.00	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Revised	Simple
3.	Short Term Non-Fund Based Facility – ILC/FLC	15.00	IVR A3+ (IVR A Three Plus)	Revised	Simple
4.	Long Term Fund Based Bank Facility- Proposed Cash Credit	15.00	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Revised	Simple
5	Short Term Non-Fund Based Facility – Proposed LC/BG	5.00	IVR A3+ (IVR A Three Plus)	Revised	Simple
	Total	109.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings upgrade to the bank facilities of Amba Shakti Industries Limited (ASIL) is on account of demonstrated ramp-up in sales and profitability i.e. Sales INR624.23 Crore and PAT INR4.31 Crore in 9MFY21. Further, the company have successfully completed expansion of 2nd induction furnace and started commercial production of second induction furnace from July 01, 2021.

Furthermore, the ratings continue to derive comfort from long track record of promoter group in the steel industry, fiscal benefits from Government to provide support to the cash flows, demonstrated ramp-up in sales and profitability, moderate geographical diversification, and



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low working capital intensity on comfortable operating cycle. The rating however is constrained by limited operational track record, moderate financial risk profile, exposure to fluctuations in raw material prices and fragmented and commoditised market due to intense competition, exposure to cyclicalities in iron and steel industry.

Key Rating Sensitivities:

Upward Rating Factor

- Significant growth in scale of operations
- Improvement in capital structure and profitability

Downward Rating Factor

- Higher than anticipated availment of debt impacting the capital structure and consequent coverage indicators
- Elongation of operating cycle impacting the liquidity and increasing dependence on external borrowings

Key Rating Drivers with detailed description

Long track record of promoter group in the steel industry

ASIL is part of AMBA group which is promoted by Mr. Surender Kumar Goel. The majorly steel product focused group has vast experience of over four decades with AMBA Shakti Udyog limited as the flagship. Also being part of an established group also provides the adequate financial flexibility required in the scale up and subsequent stabilization.

Fiscal benefits from Government to provide support to the cash flows

The project comes under the UP industrial investment policy which entitles for reimbursement of GST deposited annually to the tune of 70% for mega projects for 10 years. Further, the 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 INR 0.50 Crore will be available with exemption of electricity duty at 15% to the project for 10 years. These fiscal benefits are likely to provide the necessary cash flow required for the scale up in the coming fiscals.



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Demonstrated ramp-up in sales and profitability

The company commenced commercial operations in September 2020 and scaled up significantly in fiscal 2021 (6 months operation) with total operating income INR 267.22 Crore and PAT INR2.32 Crore. Furthermore, it has achieved sales of INR624.23 Crore and PAT INR4.31 Crore in current year till December 2021 which reflects continuation of growth momentum, which will be its first full year of operation.

Moderate geographical diversification

The company in its limited operational period has demonstrated a moderate geographical diversification with sales majorly in the northern and central states of the country with currently limited penetration in other parts of the country. Going forward, adequate geographical diversification will be a key monitorable. The company currently sells its products in the states of Uttar Pradesh, Punjab, Haryana, and other states.

Low working capital intensity on comfortable operating cycle

The company continues as low working capital intensity mainly on efficient operating cycle management as on March 31,2021. The operating cycle has remained low at 12 days in FY2021. While the inventory days as on March 31,2021 remained at 34 days, the debtor days remained at 6 days, the creditor days however remained at 29 days as on March 31,2021.

Key Rating Weaknesses

Limited operational track record

The company has commenced operations from September 2020 though being part of Amba Group is expected to scale up and stabilise at the earliest. The extent of scale up in the coming years will be a key monitorable.

Moderate financial risk profile

The financial risk profile remains moderate as demonstrated by modest operating margins, capital structure and consequent debt protection metrics. Limited value addition coupled with competition on being commoditised products restricts margin expansion. The operating margins remained at 4.72 % in FY2021 while the net profit margins remained at 0.87 %. The



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adjusted debt metrics – capital structure and TOL/TNW remained at 1.31x and 2.02x in FY2021 respectively, while interest coverage and adjusted TD/EBIDTA remained at 3.48x and 7.19x respectively. Improvement in operating profitability from the current levels as also the debt metrics will be a monitorable, going forward.

Exposure to fluctuations in raw material prices

The company's operations remain raw material intensive. ASIL profitability thus remains vulnerable to the raw material price fluctuations. Further, absence of captive sources of raw materials further exposes it to fluctuations in raw material prices compared to integrated players. Although the prices generally move in tandem with the raw material cost, there could be short-term mismatches in the raw material and end-product prices, which could lead to volatile margins.

Fragmented and commoditised market due to intense competition, exposure to cyclical in iron and steel industry

The steel product manufacturing business is characterised by intense competition across the value chain due to low product differentiation, and consequent high competition, which limit the pricing flexibility of the players. Steel prices are volatile as it depends on global prices and sentiments of the end product consuming sectors. The domestic iron and steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including ASIL.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for [Manufacturing companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate

The liquidity of the company remains adequate as evidenced by cash accruals of INR8.73 crore in FY2021 against repayment obligations of INR5.57 crore. The company is expected to generate adequate cash accruals to cover the debt obligation during FY22-FY24. Further, moderate working capital utilisation at ~82% for 12 months ended December 21 on favourable



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operating cycle also provides the necessary liquidity buffer. The cash balance as of March 31, 2021 remained at INR4.45 crore.

About the Company

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 object to undertake the business of manufacturing of TMT steel, Billets. The registered office of ASIL is at M-84, First Floor, Greater Kailash-II, New Delhi. The Board includes Surender Kumar Goel, Akshat Goel and Dhruva Goel.

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). DIL is engaged in the manufacturing of M.S. Bars. The group has set up various steel companies 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 Group has a presence in 11 states with their well-known brands - AMBASHAKTI 500 SD/AMBA SARIA.

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	12.51	267.22
EBITDA	(0.09)	12.61
PAT	0.01	2.32
Total Debt	30.24	90.69
Tangible Net-worth (A)*	52.04	69.25
EBITDA Margin (%)	(0.73)	4.72
PAT Margin (%)	0.07	0.87
Overall Gearing Ratio (x) (A)	0.58	1.31

* Classification as per Infomerics' standards

* (A): Adjusted



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Status of non-cooperation with previous CRA: Nil

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (August 06, 2021)	Date(s) & Rating(s) assigned in 2020-21 (November 03, 2020)	Date(s) & Rating(s) assigned in 2019-20 (August 29, 2019)
1.	Fund Based Bank Facility – Term Loans	Long Term	49.00	IVR BBB/Stable Outlook	IVR BBB-/Stable Outlook	IVR BBB-/Stable Outlook	IVR BBB-/Stable Outlook
2	Fund Based Bank Facility – Cash Credit	Long Term	25.00	IVR BBB/Stable Outlook	IVR BBB-/Stable Outlook	IVR BBB-/Stable Outlook	IVR BBB-/Stable Outlook
3.	Non-Fund based Bank Facility – ILC/FLC	Short Term	15.00	IVR A3+	IVR A3	IVR A3	IVR A3
4.	Fund Based Bank Facility – Proposed Cash Credit	Long Term	15.00	IVR BBB/Stable Outlook	IVR BBB-/Stable Outlook	--	--
5.	Non-Fund based Bank Facility – Proposed LC/BG	Short Term	5.00	IVR A3+	IVR A3	--	--

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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

Name of Facility	Date of Issuance	Cou on Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based – Term Loan	--	--	October 2026	28.70	IVR BBB/Stable Outlook
Long Term Fund Based – GECL	--	--	December 2024	2.80	IVR BBB/Stable Outlook
Long Term Fund Based – Term Loan I	--	--	November 2026	7.50	IVR BBB/Stable Outlook
Long Term Fund Based – Term Loan II	--	--	March 2028	10.00	IVR BBB/Stable Outlook
Long Term Fund Based – Cash Credit	--	--	Revolving	25.00	IVR BBB/Stable Outlook
Long Term Fund Based – Proposed Cash Credit	--	--	--	15.00	IVR BBB/Stable Outlook
Short Term Non- Fund Based – ILC/FLC	--	--	--	15.00	IVR A3+
Short Term Non- Fund Based – Proposed LC/BG	--	--	--	5.00	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Amba-Shakti-Industries-lenders-mar22.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.