



Press Release

Amba Shakti Industries Limited

July 15, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan/GECL	41.59 #	IVR BBB+; Stable (IVR Triple B Plus with Stable outlook)	IVR BBB-; Negative; ISSUER NOT COOPERATING* (IVR Triple B Minus with Negative outlook; ISSUER NOT COOPERATING)	Upgraded with revision in outlook from Negative to Stable and removed from ISSUER NOT COOPERATING category	Simple
Long Term Bank Facilities – Term Loan/GECL	8.34 #	IVR BBB+; Stable (IVR Triple B Plus with Stable outlook)	-	Assigned	Simple
Long Term Bank Facilities – Cash Credit	90.00 (Reduced from Rs.92.41 crore)	IVR BBB+; Stable (IVR Triple B Plus with Stable outlook)	IVR BBB-; Negative; ISSUER NOT COOPERATING * (IVR Triple B Minus with Negative outlook; ISSUER NOT COOPERATING)	Upgraded with revision in outlook from Negative to Stable and removed from ISSUER NOT COOPERATING category	Simple
Short Term Bank Facilities – Bank Guarantee	5.00	IVR A2 (IVR A Two)	IVR A3; ISSUER NOT COOPERATING * (IVR A Three; ISSUER NOT COOPERATING)	Upgraded and removed from ISSUER NOT COOPERATING category	Simple
Short Term Bank Facilities – Bank Guarantee	7.00	IVR A2 (IVR A Two)	-	Assigned	Simple
Short Term Bank Facilities – Letter of Credit	15.00	IVR A2 (IVR A Two)	IVR A3; ISSUER NOT COOPERATING * (IVR A Three; ISSUER NOT COOPERATING)	Upgraded and removed from ISSUER NOT COOPERATING category	
Total	166.93 (Rupees One hundred and				



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	sixty-six crore and ninety-three lakhs only)				
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**Issuer did not cooperate; based on best available information*

#Outstanding as on April 30, 2024

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has removed the rating assigned to the bank facilities of Amba Shakti Industries Limited (ASIL) from Issuer Not Cooperating category based on adequate information received from the entity to review its rating.

The assignment/upgrade in the ratings of ASIL positively factors in the stable business performance; albeit moderation in profit margins coupled with comfortable capital structure and debt coverage indicators in FY2024 (Provisional) [FY refers to the period from April 01 to March 31]. The ratings also continue to derive strength from its experienced promoters with long track record in the iron and steel industry along with moderate geographical diversification. The ratings also factor in the fiscal benefits from the Uttar Pradesh Government and comfortable operating cycle. However, these rating strengths remain constrained due to its limited operational track record, exposure to fluctuations in raw material prices, exposure to intense competition and cyclical nature in the steel industry.

The 'Stable' outlook indicates that the ASIL's business risk profile will be maintained over the medium term.

Key Rating Sensitivities:

Upward Factors

- Significant & sustained growth in scale of operations resulting in increase in overall profitability and operating margin over 6% on a sustained basis.
- Sustenance of the capital structure.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis.
- Withdrawal of subordinated unsecured loans thereby impacting the capital structure of the company with moderation in overall gearing to over 1x



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- Higher than anticipated availment of debt impacting the capital structure and consequent moderation in debt coverage indicators

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

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 through its association with group companies, most of which are engaged in manufacturing of iron and steel products. Also being part of an established group, it enjoys the brand benefit and use of technical know-how.

Fiscal benefits from Government to provide support to the cash flows

The project comes under the UP industrial investment policy which entitles 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 an 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.

Stable business performance; albeit moderation in profit margins in FY2024 (Prov.)

Total operating income (TOI) remained stable at Rs.1265.04 crore in FY2024 (Prov.) with marginal decrease from Rs.1297.72 crore in FY2023 due to decrease in average sales realisation of billets as well as TMT. However, the same was compensated to an extent due to increase in volume sales of TMT in FY2024 as compared to FY2023. Further, due to low value additive nature of business, EBITDA margin remained moderated at 5.36% in FY2024 (Prov.), marginal decline from 6.14% in FY2023 due to decrease in sales realisation coupled with increase in variable overheads. Consequently, PAT margin also moderated from 3.03% in FY2023 to 2.36% in FY2024 (Prov.). ASIL achieved a PBT of Rs.11.68 crore (Rs.13.22 crore during Q1FY2024) on a TOI of Rs.349.78 crore (Rs.397.98 crore) during Q1FY2025. The company's ability to scale up its operations without compromising on its margins will remain a key rating monitorable going forward.

Comfortable capital structure & debt coverage metrics



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The financial risk profile remains comfortable as demonstrated by its comfortable capital structure and debt protection metrics. The tangible net worth (ATNW) of the company stood at Rs.152.04 crore considering subordinated unsecured loans from promoters to the tune of Rs.38.53 crore outstanding as on March 31, 2024, as quasi equity. The capital structure improved and remained comfortable with long term debt equity ratio and overall gearing at 0.36x and 0.83x respectively as on March 31, 2024 (Prov.) as against 0.57x and 1.29x respectively as on March 31, 2023. Total indebtedness as reflected by TOL/ATNW also remained comfortable at 1.27x as on March 31, 2024 (Prov.). Due to decrease in overall profitability, ICR though moderated from 8.22x in FY2023 to 5.78x in FY2024 (Prov.) yet remained comfortable. Total debt/EBITDA and Total debt/GCA stood at 1.87x and 4.14x respectively as on March 31, 2024 (Prov.). Improvement in operating profitability from the current levels as also the debt metrics will be a monitorable, going forward.

Moderate geographical diversification

The company in its limited operational period has demonstrated 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 with comfortable operating cycle

The operating cycle of the company has remained comfortable at 30 days in FY2024 (Prov., 16 days in FY2022 and 22 days in FY2023). The company maintains the inventory for short term of around 25-30 as company procures the raw material locally therefore mitigating the price fluctuation risk which is inherent in the steel business. Also, it extends a credit period of 10-15 days to its customers. Furthermore, it enjoys a credit period of 10-15 days from its raw material suppliers. The average utilisation of working capital borrowings stood comfortable at ~72% during the last twelve months ended May 2024 indicating sufficient buffer in its working capital limits.

Key Rating Weaknesses

Limited operational track record

The company commenced operations from September 2020 and being part of Amba Group is expected to scale up and stabilize at the earliest. However, the company has scaled up its operations during FY23-FY24 as evident by its operating revenue in a short span of time.



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Exposure to fluctuations in raw material prices

The company's operations remain raw material intensive. ASIL profitability thus remains vulnerable to 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 commoditized market due to intense competition, exposure to cyclicity in iron and steel industry

The steel product manufacturing business is characterized 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: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria – Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by sufficient gross cash accruals vis-à-vis its debt repayment obligation of Rs.16.35 crore in FY2025, Rs.16.60 crore in FY2026 and Rs.14.84 crore in FY2027. The average utilisation of working capital borrowings stood comfortable at ~72% during the last twelve months ended May 2024 indicating sufficient buffer in its working capital limits. Further, the capital structure remained comfortable with overall gearing of 0.83x as on March 31, 2024 (Prov.) indicating a comfortable gearing headroom. Current ratio also stood comfortable at 1.27x as on March 31, 2024 (Prov.).

About the Company



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Amba Shakti Industries Limited (ASIL) is a closely held public limited company, incorporated in May 2013 and is a part of the AMBA Group. The company is promoted with an object to undertake the manufacturing business of TMT steel, Billets. The Board includes Mr. Surender Kumar Goel, Mr. Akshat Goel and Mr. Dhruva Goel.

The company has setup a Steel Re-rolling Mill Unit and induction furnace for backward integration. The manufacturing facility of the company is located at Sikandrabad Industrial Area, Bulandsahar, UP, with an installed capacity of 3,45,600 MTPA of both billets and TMT. The capacity further increased to 5,00,000 MTPA in April 2024.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	1297.72	1265.04
Total Income	1298.19	1266.38
EBITDA	79.64	67.78
PAT	39.32	29.94
Total Debt	130.06	126.79
Adjusted Net worth (including quasi equity)	101.12	152.04
EBITDA Margin (%)	6.14	5.36
PAT Margin (%)	3.03	2.36
Overall Gearing Ratio (x)	1.29	0.83
Interest Coverage Ratio (x)	8.22	5.78

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	
					April 01, 2024	-	February 07, 2023	March 02, 2022	August 06, 2021
1	Term Loan/GECL	Long Term	41.59 #	IVR BBB+; Stable	IVR BBB-/ Negative; ISSUER NOT COOPERATING *	-	IVR BBB+/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable



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Sr. No.	Name of Security/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	
					April 01, 2024	-	February 07, 2023	March 02, 2022	August 06, 2021
2	Term Loan/GECL	Long Term	8.34 #	IVR BBB+; Stable	-	-	-	-	-
3	Cash Credit	Long Term	90.00 (Reduced from Rs.92.41 crore)	IVR BBB+; Stable	IVR BBB-/Negative; ISSUER NOT COOPERATING *	-	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB-/Stable
4	Bank Guarantee	Short Term	5.00	IVR A2	IVR A3; ISSUER NOT COOPERATING *	-	IVR A2	IVR A3+	IVR A3
5	Bank Guarantee	Short Term	7.00	IVR A2	-	-	-	-	-
6	Letter of Credit	Short Term	15.00	IVR A2	IVR A3; ISSUER NOT COOPERATING *	-	IVR A2	IVR A3+	IVR A3

*Issuer did not cooperate; based on best available information

#Outstanding as on April 30, 2024

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



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instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	October 2026	17.22	IVR BBB+; Stable
Term Loan	-	-	-	March 2030	21.69	IVR BBB+; Stable
GECL	-	-	-	December 2024	0.62	IVR BBB+; Stable
Term Loan	-	-	-	November 2026	3.87	IVR BBB+; Stable
Term Loan	-	-	-	March 2028	6.53	IVR BBB+; Stable
Cash Credit	-	-	-	-	90.00	IVR BBB+; Stable
Bank Guarantee	-	-	-	-	12.00	IVR A2
Letter of Credit	-	-	-	-	15.00	IVR A2

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-AmbaShakti-july24.pdf>



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Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for Combined analysis: 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.

