



Press Release

Amba Shakti Industries Limited

August 06, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Bank Facilities	89.00 Enhanced from 64.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed /Assigned
Short Term Bank Facilities	20.00 Enhanced from 15.00	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Reaffirmed / Assigned
Total	109.00 (one-hundred and nine crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities Amba Shakti Industries Limited continues to factor in the adequate scale up in 6 months FY21P while achieving a moderate geographical diversification. The reaffirmation, however continues to factors in the inherent benefits of being part of the Amba Group which provides the financial flexibility and the expected fiscal benefits from the Government which is likely to provide support to its cash flows. Further, the given the optimal working cycle management, the company has been able to maintain an adequate working capital cycle in the past fiscal.

The ratings, however, remains constrained by limited operational track record of the company and the moderate financial risk profile characterised by low operating margins and the stretched capital structure. The company profitability also remains exposed to fluctuations in raw material prices and fragmented and commoditised market due to intense competition. The rating reaffirmation also consider the vulnerability of ASIL's business to the inherent cyclicity in the steel industry.

Key Rating Sensitivities:

Upward Factors

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



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Downward Factors

- 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

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 with AMBA Shakti Udyog limited as the flagship. The established set up of the group has enabled ASIL to scale up significantly in the six months of operational period ending March 31,2021 as reflected by revenues of Rs. 267.22 crore. 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 Rs. 50 lacs will be available to the proposed project along 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.

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.



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Low working capital intensity on comfortable operating cycle

The company as on March 31, 2021 has demonstrated a low working capital intensity mainly on efficient operating cycle management. The operating cycle has remained at 6 days in FY2021. While the inventory days as on March 31, 2021 remained at 17 days, the debtor days remained at 3 days, the creditor days however remained at 14 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 4.70 % in FY2021 while the net profit margins remained at 0.90 %. The adjusted debt metrics – capital structure and TOL/TNW remained at 1.11x and 1.74x in FY2021 while interest coverage and adjusted TD/EBIDTA remained at 3.29x and 6.70x 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. AISL 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.



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Fragmented and commoditised market due to intense competition, exposure to cyclicity 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: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Sector

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

The liquidity of the company remains adequate as evidenced by cash accruals of Rs. 8.77 crore in FY2021 against repayment obligations of Rs. 5.57 crore. The company is expected to generate adequate cash accruals to cover the debt obligation during FY22-FY24. Further, moderate working capital utilisation at 59% for 12 months ended June 21 on favourable operating cycle also provides the necessary liquidity buffer. The cash balance as of March 31,2021 remained at Rs. 4.44 crore (provisional).

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.



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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):

(Rs. Crore)

For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional (6 months)
Total Operating Income	12.51	267.22
EBITDA	-0.09	12.55
PAT	0.01	2.41
Total Debt	30.24	84.06
Tangible Net worth	19.92	32.07
EBITDA Margin (%)	-0.72	4.70
PAT Margin (%)	0.12	0.90
Overall Gearing Ratio (x)	0.58	1.11

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 Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash credit	Long Term	40.00*	IVR BBB-/Stable	IVR BBB-/Stable As on November 03, 2020	IVR BBB-/Stable As on August 29, 2019	-
2.	Term Loan	Long Term	49.00**	IVR BBB-/Stable	IVR BBB-/Stable As on	IVR BBB-/Stable As on	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
					November 03, 2020	August 29, 2019	
3.	BG	Short Term	20.00#	IVR A3	IVR A3 As November 03, 2020	IVR A3 As August 29, 2019	-

*15.00 crore of facility are on proposed basis

**10.00 crore of facility are on proposed basis

#5.00 crore of facility are on proposed basis

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.

Name and Contact Details of the Rating Team:

Name: Mr. Ravi Malik Tel: (011) 24655636 Email: rmalik@infomerics.com	Name: Mr. Shashikant Raut Tel: (022) 62396 023 Email: shashikant.raut@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- Cash Credit	-	-	Revolving	25.00	IVR BBB-/Stable
Long Term Bank Facilities- Term Loan	-	-	Latest by November, 2026	39.00	IVR BBB-/Stable
Long Term Bank Facilities- proposed	-	-	Revolving	25.00	IVR BBB-/Stable
Short Term Bank Facilities- BG	-	-	Revolving	15.00	IVR A3
Short Term Bank Facilities- proposed	-	-	Revolving	5.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-Ambashakti-indus-ltd-6-aug-21.pdf>