Amitasha Enterprises Private Limited (AEPL)

November 15th, 2022

Ratings

Instruments	Amount (INR. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Cash Credit	37.00 (Reduced from INR44.00 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Revised and removed from ISSUER NOT COOPERATING category	Simple
Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	14.10 (Reduced from INR50.60 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook) / IVR A3 (IVR A Three)	Revised and removed from ISSUER NOT COOPERATING category	Simple
Short Term Non-Fund Based Facility – Letter of Credit	21.90 (Increased from INR18.40 Crore)	IVR A3 (IVR A Three)	Revised and removed from ISSUER NOT COOPERATING category	Simple
Long Term Bank Facility – Term Loans (CECL & GECL)	11.68 (Increased from INR11.02 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Revised and removed from ISSUER NOT COOPERATING category	Simple
	84.68 (Eighty Four Crore and Sixty Eight Lakh)			

Details of instruments are in Annexure 1

Detailed Rationale

The revision in the long-term and short-term rating of the bank facilities of Amitasha Enterprises Private Limited reflects improvement in the profitability along with debt protection parameter and capital structure. Moreover, the declining revenue trend is expected to reverse in FY23 along with range bound key financial parameters.

Furthermore, the aforesaid rating continues to derive strength from experience promoters and management team, location specific benefits & diversified client base, improving capital structure, and expected reversal of declining revenue trend, with expected stability of profitability parameters in the projected period. However, the rating strengths are constrained by intensely competitive industry and working capital intensive nature of operation.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained improvement in revenue backed by order book growth and profitability leading to improvement in debt protection metrics

Downward Factors:

- Any decline in revenue and/or profitability leading to deterioration in liquidity position and/or debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths-

Experience promoters and management team

The Company is being managed by experienced directors, Mr. Rajendra Singh (Managing Director) and Mr. Yogendra. M. Singh (Director). Collectively, they have rich experience in the particular industry and are instrumental in setting up and developing the Company. Having operated in industry since years now, the promoters have established a strong network with suppliers and customers. The company has a team of experienced and capable professionals, having over a two decade of experience in the segment, to look after the overall management. The day-to-day operations of the company are looked after by the senior management having considerable experience with technological background.

Location specific benefits & diversified client base

Being located at Nagpur has given AEPL a large logistic advantage in terms of easy and fast procurement of major raw materials like steel, zinc and fuel oil. Nagpur has now emerged as a big hub for rolled steel angle sections, which constitutes about 90% of the tower components. This has enabled AEPL to maintain relatively low inventory as the planning and procurement is more or less on Just in Time basis. With promoters' extensive experience, established network and effective completion of projects in the scheduled time, the Company has been able to gather a diversified client base. The clientele ranges in sectors across

Transmission and Distribution, Railway Electrification Structures, Telecommunication Towers, Galvanized Structures. In order to mitigate the risk associated of being involved with one particular end user industry, the Company is now gradually diversifying into Infrastructure based EPC contracts, solar panel manufacturers as well.

Improving capital structure

The improving capital structure is marked by progressive net worth, gearing and debt protection metrics. The net worth of the Company stood at INR76.88 Crore as on March 31st, 2022 as against INR74.23 Crore in FY21, on account of sustained accumulation of profits into reserves over the years. Working capital borrowings and redeemable debentures majorly accounted for the Company's total debt exposure. Modest capital structure coupled with restrained debt levels maintained the overall gearing levels at 0.82x as on March 31st, 2022 when compared to 0.68x as on March 31st, 1. Further, the TOL/TNW of the company stands at 1.04x in FY22 as against 1.32x in FY21 and the interest coverage ratio of the company stands at 1.54x in FY22 as against 1.32x in FY21.

Expected reversal of declining revenue trend, with expected stability of profitability parameters in the projected period.

AEPL witnessed moderation in scale of operations as seen from the decline in its total operating income to INR124.23 Crore in FY21 as against INR120.08 Crore, backed with the decline in transmission line business wherein margin component was on lower side as compared to solar business. The segmental contribution of solar module and mounting structure was on higher side as compared to transmission line tower however the same will get equally portioned in the projected period. The profit margins of the company are exposed to fluctuations in raw iron prices, along with overhead cost involved in manufacturing of transmission/telecommunication line business and as the revenue contribution from transmission line business was on lower side in last two years ended FY22 the overhead cost involved in the same had also declined. Hence, the operational profitability margins of the company got improved to 10.20% in FY22 and 8.58% in FY21. Going forward, healthy unexecuted order book of around INR144 Crore as on September 15th, 2022 and favorable demand prospects for steel structures in India, with increasing focus on their use across various segments shall help the Company to grow steadily once the business operations are normalized. However, the declining revenue trend is expected to reverse from FY23 onwards backed by improving order book position majorly from transmission line business which was declining in the last three years ended FY22.

Key Rating Weaknesses-

Intensely competitive industry

Given marginal capital investment requirements and low technical complexity, the steel fabrication industry is highly fragmented with numerous unorganized players. Further, there are organized domestic players as well as international suppliers, who work in joint venture with domestic companies or as subcontractors for large companies, posing intense competition

Working capital intensive nature of operation

The Company's revenue is skewed towards the last two quarters with higher proportion in the last quarter of the fiscal. Consequently, the year-end receivables generally remained high, however the same has improved on y-o-y basis in last three years from 202 days in FY20 to 120 days in FY22 on the back on constant recovery from the pending receivables. The operating cycle has also improved from 215 days in FY21 to 201 days in FY20.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria of assigning rating outlook
Guidelines on what constitute non-corporation

Liquidity: Adequate

The liquidity is expected to remain adequate in the medium term, on account of minimum exposure towards long term debt thereby limiting current maturities for the year, moderate cash & bank balance of INR5.88 Crore as on March 31st, 2022 (cash balances of INR0.20 Crore and bank balances of INR5.68 Crore) and improved current ratio of 1.60x as on March

31st, 2022. The average working capital utilisation of the company stands at ~84% for the last 12 months ended August 31, 2022.

About the Company

Amitasha Enterprises Private limited was established in 1993 for Transmission Line Towers, Substation, Structures, Telecommunication towers, Electrification structures, Solar structures and Railway electrification poles. The company, after a successful business existence of past twenty-five years with KEC International Ltd., Power Grid Corporation of India Ltd., various State Electricity Boards and International buyers, have touched manufacturing capacity up to 42,000 Mt per annum. The company has two manufacturing facilities set up in Hingna Road Industrial Area of Nagpur.

Financials: Standalone **(INR. Crore)**

For the year ended/ As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	124.23	120.08
EBITDA	10.66	12.25
PAT	1.78	2.57
Total Debt	50.80	63.15
Tangible Net-worth	74.23	76.88
EBITDA Margin (%)	8.58	10.20
PAT Margin (%)	1.43	2.14
Overall Gearing Ratio (x)	0.68	0.82

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: NA

Any other information: None

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 2022-23 (July 5, 2022)	Date(s) & Rating(s) assigned in 2021-22 (April 6th, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (January 9th, 2020)

1	Long Term Fund Based Facility – Cash Credit	Long Term	37.00	IVR BBB-/Stable	IVR BB+; INC*	IVR BB+; Credit Watch with Developing Implication	--	IVR BBB-/Stable
2	Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	Long Term	14.10	IVR BBB-/Stable	IVR BB+; INC*/IVR A4+*	IVR BB+; Credit Watch with Developing Implication/ IVR A4+; Credit Watch with Developing Implication	--	IVR BBB-/Stable & IVR A3
3	Short Term Non-Fund Based Facility – Letter of Credit	Short Term	21.90	IVR A3	IVR A4+; INC*	IVR A4+; Credit Watch with Developing Implication	--	IVR A3
4	Long Term Bank Facility – Term Loans (CECL & GECL)	Long Term	11.68	IVR BBB-/Stable	IVR BB+; INC*	IVR BB+; Credit Watch with Developing Implication	--	--

***Issuer did not cooperate; based on best available information.**

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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.

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 Fund Based Bank Facilities – Cash Credit	--	--	--	37.00	IVR BBB-/Stable
Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	--	--	--	14.10	IVR BBB-/Stable
Short Term Non-Fund Based Facility – Letter of Credit	--	--	--	21.90	IVR A3

Long Term Bank Facility – Demand Loans (CECL & GECL)	--	--	--	11.68	IVR BBB-/Stable

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Amitasha-nov22.pdf

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.