



## Press Release

**Amba Shakti Ispat Limited (ASIL)**

**August 01, 2023**

### Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loans (GECL)	4.83	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	30.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Fund Based Bank Facilities – Letter of Credit	12.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Fund Based Bank Facilities – Bank Guarantee	2.10	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Fund Based Bank Facilities – Forward Contract	0.24	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>49.17</b>	<b>Rupees Forty-Nine Crore Seventeen Lakh Only</b>		

**Details of facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of Amba Shakti Ispat Limited derives comfort from long track record and extensive experienced of promoter group in the steel industry, established brand name through group and vast marketing network, comfortable working capital management and moderate financial risk profile and capital structure. The ratings are, however, constrained by modest profitability, susceptible to fluctuations in raw material prices and cyclicity in the steel industry.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant & sustained increase in scale of operations with improvement in operating margin rising to above 3.00%.

#### **Downward Factors**

- Substantial decline in the revenue and profitability dropping to below 1.50%.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths:**

##### **Long track record and extensive experienced 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 group. It is one of the group companies of reputed AMBA group. Having operated in the industry since years now, the management has established a strong network with suppliers and customers. Besides the promoter, the group has a team of experienced and capable professionals, to look after the overall operations and day-to-day management.

##### **Established brand name through group and vast marketing network**

The company sells its products through its brand i.e., "Amba Saria". The AMBA group has an established presence in Uttar Pradesh, Uttaranchal, Haryana, Delhi, Maharashtra, Punjab, and Himachal Pradesh. Local TMT dealers and real estate developers are the key clients of the company. Currently, it has a network of around 30 distributors and 350 dealers.



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### **Comfortable working capital management**

The operating cycle of the company stands comfortable, in the range of 35-45 days during the last three years. The inventory holding period has remained range bound between 30-50 days during the last three years. The average collection period has remained range bound between 20-35 days during the last three years as the Company sells to most of its customers on cash basis while giving cash discounts. Further, the average creditors period has also remained range bound between 10-25 days during the last three years.

### **Moderate financial risk profile and capital structure**

The financial risk profile of the company is moderate backed by absence of any long-term debt in the books of the Company. The adjusted net worth of the ASIL stood at INR42.53 crore in FY23 (P) (FY22: INR41.39 crore). Long term debt to equity ratio remained comfortable at 0.18x in FY23 (P) (FY22: 0.23x). Overall gearing remained at 1.11x in FY23 (P) (FY22: 1.17x). Interest coverage ratio remained moderate at 1.86x in FY23 (P) (FY22: 1.50x) backed by decline in interest expenses. Further, total indebtedness of the company marked by TOL/TNW remained moderate at 1.74x in FY23 (P) (FY22: 1.81x).

### **Key Rating Weaknesses:**

#### **Modest profitability, susceptible to fluctuations in raw material prices**

The EBITDA margin stood at 1.62% in FY23 (P) (FY22: 1.93%) and remained modest compared to peers in the industry due to the highly competitive market. Further, since cost of procuring the key raw material accounts for over 85% of operating revenue, even a slight variation in price can drastically impact profitability. The operating margin should improve over the medium term, backed by the capex plan in pipeline which will improve the capacity as well as efficiency of the plant and in turn it will result into benefit of economies of scale. However, any improvement in the operating margin will remain a key monitorable.

#### **Cyclicality in the steel industry**

The steel industry is highly fragmented, leading to low realisations and profitability. Demand for steel products depends on the level of construction and infrastructure activities in the country. While there has been a significant push by the government for steel-intensive sectors



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such as railways and infrastructure, players are susceptible to cyclicalities in demand and fluctuations in realisations.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for rating outlook](#)

### **Liquidity – Adequate**

The liquidity of the company remains adequate as evidenced by gross cash accruals of INR4.00 crore in FY23 against repayment obligations of INR2.02 crore. The company is expected to generate adequate cash accruals to cover the debt obligation during FY24-FY26. The average working capital utilization stood at 91.78% during the 12 months ended March 2023. The current ratio stood comfortable at 1.34x as on March 31, 2023. The cash balance as of March 31, 2023 remained at INR3.13 crore.

### **About the Company**

The Company was incorporated in the year 2003 by Mr. S.K. Goel, Mr. Kamal Goel, Mr. Pankaj Goel and Mr. Sanjeev Goel. All the promoters having experience in the line of the steel business for over two decades. The company is dealing with products like TMT Bars , Angle and Channels and MS Billets. The Company's manufacturing Plant is set up in Kala Amb, Himachal Pradesh. It has rolling mill installed capacity of 96,000 MTPA. The TMT Bars produced by the Company are marketed under the Brand "AMBA SHAKTI". The Brand is established since last 45 years.



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### Financials (Standalone):

(INR Crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	416.54	492.49
EBITDA	8.04	7.95
PAT	1.11	1.68
Total Debt	48.50	47.04
Adjusted Tangible Net Worth	41.39	42.53
<b>Ratios</b>		
EBITDA Margin (%)	1.93	1.62
PAT Margin (%)	0.27	0.34
Overall Gearing Ratio (x)	1.17	1.11

### **Status of Non-cooperation with previous CRA:**

Brickwork has moved the rating of Amba Shakti Ispat Limited under “ISSUER NOT COOPERATING” category as BWR BB / Stable (ISSUER NOT COOPERATING); BWR A4 (ISSUER NOT COOPERATING) vide its Press Release dated December 15, 2022, due to absence of requisite information.

CRISIL has continued to classify the rating of Amba Shakti Ispat Limited under CRISIL B / Stable (ISSUER NOT COOPERATING); CRISIL A4 (ISSUER NOT COOPERATING) vide its Press Release dated June 08, 2022, due to absence of requisite information.

**Any other information: Not Applicable**



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Bank Facility – Term Loans (GECL)	Long Term	4.83	IVR BBB- / Stable	-	-	-
2.	Fund Based Bank Facility – Cash Credit	Long Term	30.00	IVR BBB- / Stable	-	-	-
3.	Non-Fund Based Bank Facility – Letter of Credit	Short Term	12.00	IVR A3	-	-	-
4.	Non-Fund Based Bank Facility – Bank Guarantee	Short Term	2.10	IVR A3	-	-	-
5.	Non-Fund Based Bank Facility – Forward Contract	Short Term	0.24	IVR A3	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: [abhuwania@infomerics.com](mailto:abhuwania@infomerics.com)

### 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).

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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
Term Loans (GECL 1.0)	--	--	FY24	2.00	IVR BBB- / Stable
Term Loans (GECL 1.0 Ext.)	--	--	FY26	2.83	IVR BBB- / Stable
Cash Credit	--	--	--	30.00	IVR BBB- / Stable
Letter of Credit	--	--	--	12.00	IVR A3
Bank Guarantee	--	--	--	2.10	IVR A3
Forward Contract	--	--	--	0.24	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/len-ASIL-aug23.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 <https://www.infomerics.com/>.