Press Release

Ambashakti Udyog Limited

July 25, 2024

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities – Term Loan	0.00	-	IVR BBB+; Stable (IVR Triple B plus with Stable Outlook)	Withdrawn^	Simple
Long Term Facilities – Cash Credit	40.00	IVR BBB+/ Negative (IVR Triple B Plus with Negative outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Reaffirmed and revision in outlook from Stable to Negative	Simple
Long Term Facilities – Cash Credit	20.00	IVR BBB+/ Negative (IVR Triple B Plus with Negative outlook)	-	Assigned	Simple
Short Term Bank Facilities	25.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Short Term Bank Facilities	50.00	IVR A2 (IVR A Two)	-	Assigned	Simple
Total	**135.00 (Rs. One Hundred and Thirty-Five Crore Only)**				

^fully repaid (based on No due certificate from the lender)

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

The assignment and reaffirmation of the ratings to the bank facilities of Ambashakti Udyog Limited (ASUL) continues to derive comfort from long track record in the iron and steel industry under experienced promoters, established brand name through group and vast marketing network, locational advantage. Further the ratings also factor in company's stable business performance, satisfactory financial risk profile marked by satisfactory capital structure and moderate debt protection metrics and comfortable working capital management. However, these rating strengths remain constrained due to its thin profitability, vulnerability to foreign currency risk, exposure of corporate guarantee to group entity, intense competition and cyclical nature of the industry. The negative outlook reflects expected moderation of the credit risk profile of the company due to increase in exposure to group company.

Infomerics Ratings has simultaneously withdrawn the rating assigned to the term loan of Ambashakti Udyog Limited (ASUL) with immediate effect. The above action has been taken as the term loan has been fully repaid by the company and No Dues Certificate (NDC) from Punjab National Bank. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability with consequent improvement in gross cash accruals
- Improvement in the capital structure with improvement in the debt protection metrics.
- Decrease in exposure to group companies.

Downward Factors

- Sustained moderation in scale of operations with moderation in profitability impacting the debt coverage indicators
- Moderation in the capital structure with moderation in overall gearing to over 2x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters with long track record in the iron and steel industry.**
  ASUL is part of the AMBA group which is promoted by Mr. Surender Kumar Goel. The group has vast experience of over four decades in the iron and steel industry. Also being a part of an established group also provides the adequate financial flexibility required in the scale up of operations and subsequent stabilization. Further, the promoters have continuously supported the business operations by infusing capital and unsecured loans at regular intervals.
- **Established brand name through group and vast marketing network.**
  The Amba group has an established presence in Uttar Pradesh, Uttaranchal, Haryana, Delhi, Maharashtra, Punjab, and Himachal Pradesh. The company sells its products through its brand i.e., "AMBA". 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.

- **Locational advantage**

  The manufacturing facility of ASUL is strategically located at Banmore, Gwalior, Madhya Pradesh, which has emerged as a major industrial hub. The company has ease of access to raw material as the plant site is well connected by road and rail to all major big cities and towns. Moreover, the unit is well connected with roads to all major cities in the country. Furthermore, it is also eligible for incentive package offered to the industrial units in Madhya Pradesh by the Government under Industrial Promotion Policy- 2014 amended in 2019. This ensures timely availability of raw materials, which helps in improving efficiency in production.

- **Stable business performance**

  The business performance of the company remained stable over the past two fiscals. The total operating income (TOI) has increased from Rs.832.37 crore in FY 2023(A) [FY refers to the period from April 1 to March 31] to Rs.882.79 crore in FY2024 (Prov.) driven by improvement in sales volume backed by favorable market demand of TMT Bars and MS Billets. However, the profitability continues to remain moderate with thin profit margins.

- **Satisfactory financial risk profile marked by satisfactory capital structure and moderate debt protection metrics**

  The financial risk profile of the company continues to remain satisfactory, marked by its satisfactory capital structure coupled with moderate debt protection metrics. During FY24, the company has availed unsecured loans from the promoters which resulted in moderation in the leverage ratios. However, the long-term debt equity ratio and overall gearing ratio continues to remain satisfactory at 0.56x and 0.87x respectively as on March 31,2024 (Prov.). Total indebtedness of the company as reflected by TOL/ATNW also stood comfortable at 1.78x as on March 31, 2024 (Prov.) [1.58x as on March 31, 2023]. The debt protection metrics of the company witnessed moderation in FY24 due to a rise in interest expenses coupled with a dip in profit levels. The interest coverage moderated and stood at 2.48x in FY24 (Prov.). Furthermore, Total debt to EBITDA and Total debt to NCA also moderated and stood at 3.80x and 8.13x respectively as on March 31,2024 (Prov.).

- **Comfortable working capital management**

The operating cycle of the company is comfortable, in the range of 30-40 days during the last three years ended FY24 (Prov.). The operating cycle has remained satisfactory at 31 days in FY24 (Prov.).

Key Rating Weaknesses

- **Thin profitability**

  The profit margins of the company remained thin due to its low value additive nature of operations coupled with intense competition. The EBITDA margin and PAT margin have been moderated from 2.99% and 0.86% respectively in FY2023 to 2.48% and 0.71% respectively in FY 2024(Prov.) mainly due to dip in average sales realization owing to market dynamics.

- **Vulnerability to foreign currency risk**

  As the Company imports around 40-50% of its total raw material requirement, its purchases are exposed to forex risk. Further, it does not hedge its foreign currency and hence, its profitability remains exposed to foreign exchange rate fluctuation risk in case of adverse movements in foreign currency rates. However, the Company management monitors the market price of imported scrap considering foreign exchange rate and places the orders in bulk whenever it seems that the prices of the imported scrap are favorable.

- **Exposure of corporate guarantee to group entity.**

  ASUL has extended the corporate guarantee to its group company – Amba Shakti Bio Energy Private Limited. The company is setting up a 180 KLPD grain-based Ethanol distillery plant along with 5 MW Co-gen power plant, 73TPD Distillery wet grain soluble and 82.80 TPB fermentation (Co2) unit in Madya Pradesh. Total envisaged cost of the project is Rs.193.46 crore which is to be funded through a term loan of Rs.147.00 crore (financial closure achieved with Yes bank and UCO Bank in March 2024) and promoters contribution of Rs.46.46 crore. The plant is expected to be operational from February 05, 2025. Exposure to group entity dampens the credit risk profile ASUL to an extent.

- **Intense competition**

  The steel manufacturing business is characterized by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including ASUL.

- **Cyclicality in the steel industry**

The domestic steel industry is highly cyclical in nature and has witnessed prolonged periods of downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Policy on Withdrawal of Ratings
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligation of Rs.1.73 crore in FY2025, Rs.0.81 crore in FY2026 and Rs.0.72 crore in FY2027. However, the average working capital utilisation remained high at ~95% during the last twelve months ended May 2024 indicating limited buffer in its working capital limits.

About the Company

Amba Shakti Udyog Limited (ASUL), is a closely held public limited company, incorporated in March 2014 at Morena (M.P.) and is a part of AMBA Group. ASUL is the flagship company of the group. It is engaged in manufacturing of T.M.T. Bar and M.S. Billets.

The company has Automatic Steel Plant containing two Steel re-rolling unit. It has installed capacity of 900 MT per day for manufacturing of TMT (Thermo Mechanically Treated) Steel, bars, angle, channels etc. The company also have three Induction Furnaces of Concast machine of 30 MT capacity each.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	832.37	882.79

EBITDA	24.90	21.85
PAT	7.15	6.28
Total Debt	68.53	83.10
Tangible Net Worth	100.38	95.51
EBITDA Margin (%)	2.99	2.48
PAT Margin (%)	0.86	0.71
Overall Gearing Ratio (x)	0.68	0.87
Interest Coverage (x)	3.18	2.48

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

CARE Ratings has continued to classify the ratings of the bank facilities of ASUL under "ISSUER NOT COOPEARATING" category, vide their press releases dated February 08, 2024, due to non- provision of information for monitoring of rating and non-payment of surveillance fees.

Brickworks Ratings has continued to classify the ratings of the bank facilities of ASUL under "ISSUER NOT COOPEARATING" category, vide their press releases dated September 12, 2023, due to non-availability of the information and non-submission of monthly 'No Default Statement' as per regulatory requirements.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years			
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**		**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in in 2021-22**
					Sept. 28, 2023	**June 01, 2023**	**March 02, 2022**	**-**
1.	Term Loan	LT	0.00^	-	IVR BBB+; Stable	IVR BBB+; Stable	IVR BBB+; Stable	-
2.	Cash Credit	LT	60.00	IVR BBB+; Negative	IVR BBB+; Stable	IVR BBB+; Stable	IVR BBB+; Stable	-
3.	Letter of credit	ST	75.00	IVR A2	IVR A2	IVR A2	IVR A2	-

^fully repaid (based on No due certificate from the lender)

Analytical Contacts:

Name: Harshita Gupta Tel: (033) 46022266	Name: Avik Podder Tel: (033) 46022266

Email:hdidwania@infomerics.com	Email: apodder@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).

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 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.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	60.00	IVR BBB+; Negative
Letter of credit	-	-	-	-	75.00	IVR A2

Annexure 2: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Ambashakti-Udyog-25july24.pdf

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

Annexure 4: List of companies considered for consolidated/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.