Press Release

Amitasha Enterprises Private Limited (AEPL)

February 01, 2024

Ratings

Instruments	Amount (INR. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Cash Credit	36.80 (Reduced from INR37.00 Crore)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Downgraded	Simple
Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	11.10 (Reduced from INR14.10 Crore)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)/ IVR A4+ (IVR A Four Plus)	Downgraded	Simple
Short Term Non-Fund Based Facility – Letter of Credit	21.90	IVR A4+ (IVR A Four Plus)	Downgraded	Simple
Long Term Bank Facility – Term Loans (GECL)	8.71 (Reduced from INR11.68 Crore)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Downgraded	Simple
	78.51 (Seventy-Eight Crore and Fifty-One Lakh)			

Details of instruments are in Annexure 1

Detailed Rationale

Infomerics has downgraded its rating on the bank facilities of Amitasha Enterprises Private Limited (AEPL) on account of overall deterioration in the operational & financial risk profile of the company in FY23.

The rating continues to factor the experience of promoters and management team, location specific benefits & diversified client base and moderate capital structure. The rating, however, is constrained by declining profitability, weak debt protection metrics, modest scale of business, 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 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 has gradually diversified into Infrastructure based EPC contracts, solar panel manufacturers as well.

Moderate capital structure

The capital structure is marked moderate by modest net worth and gearing. The net worth of the Company stood at INR77.95 Crore as on March 31st, 2023 as against INR76.88 Crore in FY22, 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 0.87x as on March 31st, 2023 when compared to 0.82x as on March 31st, 2022. Further, the TOL/TNW of the company stands at 1.06x in FY23 as against 1.04x in FY22.

Key Rating Weaknesses

Modest scale of business

The revenue of the company remained stagnant for last 3 years marked by Total Operating Income of Rs 122.52 Cr in FY23 (FY22: 120.08 Cr, FY21: 124.23 Cr). However, company has achieved Gross sales of Rs 146.51 Cr till 31st Jan 2024.

Declining Profitability & weak debt protection metrics

EBITDA margin of the company deteriorated to 5.18x in FY23 (FY22: 10.20x, FY21: 8.58x) and PAT margin deteriorated to 0.82x in FY23 (FY22: 2.14x, FY21: 1.43x). The deterioration in profitability is majorly due to overall increase in cost of production coupled with low margin orders accepted by the company to keep the plant running. EBITDA margin of H1FY24 stands at 8.06%. Company's debt protection metrics stood weak marked by ISCR of 1.33x in FY23 (FY22: 1.76x). Infomerics expects FY24 financial performance to remain modest.

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 proportions 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 177 days in FY21 to 101 days in FY23 on the back of constant recovery from the pending receivables. However, the operating cycle remained elongated at 235 days in FY23. Furthermore, other non-current assets includes receivables outstanding for more than three years amounting to Rs 34.63 Cr as on 31st Mar 2023.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies]

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

[Criteria of assigning Rating Outlook]

Liquidity: Stretched

The liquidity is expected to remain stretched in the medium term as cash accrual is tightly matching with the repayment obligation. Cash & bank balance was moderate at INR 5.94 Crore as on March 31st, 2023. Current ratio was adequate at 1.50x as on March 31st, 2023. The average working capital utilisation of the company stands low at ~66% for the last 12 months ended Nov 2023. Operating cycle days remain elongated at 235 days in FY23.

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*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	120.08	122.52
EBITDA	12.25	6.35
PAT	2.57	1.03
Total Debt	63.15	68.20
Tangible Net-worth	76.88	77.95
EBITDA Margin (%)	10.20	5.18
PAT Margin (%)	2.14	0.82
Overall Gearing Ratio (x)	0.82	0.87

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 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (November 15, 2022	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
1	Long Term Fund Based Facility – Cash Credit	Long Term	36.80	IVR BB+/ Stable	IVR BBB-/Stable	IVR BB+; Issuer not cooperating	IVR BB+; Credit Watch with Developing Implication	--
2	Long Term/ Short Term Non-Fund Based Facility - Bank Guarantee	Long Term/ Short Term	11.10	IVR BB+/ Stable, IVR A4+	IVR BBB-/Stable, IVR A3	IVR BB+; Issuer not cooperating IVR A4+ Issuer not cooperating	IVR BB+; Credit Watch with Developing Implication/ IVR A4+; Credit Watch with Developing Implication	--
3	Short Term Non-Fund Based Facility	Short Term	21.90	IVR A4+	IVR A3	IVR A4+; Issuer not cooperating	IVR A4+; Credit Watch with	--

	– Letter of Credit						Developing Implication	
4	Long Term Bank Facility – Term Loan (GECL)	Long Term	8.71	IVR BB+/ Stable	IVR BBB- /Stable	IVR BB+; Issuer not cooperating	IVR BB+; Credit Watch with Developing Implication	--

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

Name and Contact Details of the Rating Team:

Name: Amit Bhuwania Tel: (022) 62396023 Email: 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).

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 visit www.infomerics.com.

information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	--	--	--	36.80	IVR BB+/Stable
Long Term/Short Term Non-Fund Based Facility - Bank Guarantee	--	--	--	11.10	IVR BB+/Stable/ IVR A4+
Short Term Non-Fund Based Facility – Letter of Credit	--	--	--	21.90	IVR A4+
Long Term Bank Facility – Term Loan (GECL)	--	--	2028	8.71	IVR BB+/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-1feb24.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.