



Press Release

Atmastco Limited

August 17th, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.19	IVR BB+/ Stable Outlook (IVR Double B plus with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	123.00	IVR A4+ (IVR A Four Plus)	Revised	Simple
Total	173.19	(Rupees One hundred seventy-three crore and nineteen lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of ATMASTCO Limited is on account of its stretched liquidity position.

The ratings continue to draw comfort from the experience of promoters with established track record in the business, long track record of accomplishment of operations and acumen with proven project execution capability, reputed clientele and healthy order book position reflecting medium-term revenue visibility, growth in scale of operations and moderate profitability, capital structure and debt protection metrics. However, the rating is constrained by susceptibility of operating margin to volatile input prices, raw material price fluctuation risk, highly fragmented & competitive nature of the construction sector and project execution risk.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.



Press Release

- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with established track record in the business:

The promoters of the company have been in the industry for around three decades. They have successful operational track record in industry which has helped in establishing a healthy relationship with the customers as it has been getting regular repeat orders from its clients.

Long track record of accomplishment of operations with sound Fabrication and Erection, acumen with proven project execution capability

Being in operation since 1994, the company has a vast record of accomplishment of almost three decades. Over the years, the company has acquired strong fabrication and erection acumen through its successful operations and has completed number of large, medium and small-sized projects across India, ensuring timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

Reputed clientele

Over the years of its operations, the company has established a strong business relationship with various government departments as well as private clients. It has



Press Release

undertaken fabrication and erection services of plants for clients, which include BHEL, NDMC, Reliance Industries, Indian oil Corporation etc.

Healthy order book position reflecting medium-term revenue visibility though the same is concentrated

ATMASTCO has total order book of around Rs.850.81 crores, out of which total unexecuted order book of company stands at Rs.603.49 as on 30th June'23. Further, unexecuted order book is 2.17 times of the operating income of Rs. 278.26 Crore in FY23(P). This indicates near to medium term revenue visibility. However, order book is concentrated, as the top 3 orders constitute 83.15% of total unexecuted order book and the company is having single order of Rs. 259.44 Crore from Tata Steel Ltd , which constitutes 43% of unexecuted order book.

Growth in scale of operations with moderate profitability

The total operating income of the company registered a CAGR of 40% during FY20 to FY23(P) with increase in operating income in FY23 by 194.62% to Rs. 278.26 Crores in FY23(P) as against Rs. 93.61 Crore in FY22. The company witnessed increase in its operating income in FY23 due to higher income from EPC segment. EBITDA increased to Rs. 28.00 Crore in FY23(P) as against Rs. 13.99 Crore in FY22. EBITDA margin decreased by 489 BPS, from 14.95% in FY22 to 10.06% in FY23(P). EBITDA margin decreased due to high raw material consumption cost and due to low margins earned on executed orders in EPC segment. With increase in total operating income, absolute PBT and PAT have also increased from Rs 4.63 crore and Rs 3.23 crore respectively in FY22 to Rs 16.19 crore and Rs. 11.78 crore respectively in FY23(P) with gross cash accruals improving from Rs 5.82 crore in FY22 to Rs. 18.94 crore in FY23(P). The PAT margin increased by 81 BPS and stood at 4.22% in FY23 (P) as against 3.41% in FY22 due to high operating profitability.

Moderate capital structure and debt coverage indicators



Press Release

The capital structure remained moderate as on March 31, 2023. The long-term debt to equity and overall gearing stood at 0.49x and 1.26x respectively as on March 31, 2023 as against at 0.32x and 1.22x respectively as on March 31, 2022. The indebtedness of the company as reflected by TOL/TNW deteriorated from 2.12x as on March 31, 2022, to 2.55x as on March 31, 2023 due to increase in current liabilities. Interest coverage ratio improved to 2.87x in FY23(P) as against 1.79x in FY22 due to high operating profitability. Total debt to GCA improved from 8.86 years in FY22 to 4.68 years in FY23(P) due to increase in GCA.

Key Rating Weaknesses

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement, which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost.

Raw material price fluctuation risk

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods. However, Atmastco limited contracts carries price escalation clauses which mitigate raw material fluctuation risk to major extent.

Highly fragmented & competitive nature of the construction sector

The infrastructure/ construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is



Press Release

perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

Project execution risk

The ability of the company to execute orders in a timely fashion as stipulated in their contract with their customers remains of paramount importance as any delays in execution of contracts can lead to the company having to pay liquidated damages to the opposite party thereby impacting the profitability.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for infrastructure company](#)

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

[Criteria on assigning rating outlook](#)

Liquidity – Stretched

The liquidity position of the company is Stretched due to instances of overdrawing in CC account from April'23 to August'23 due to 18 instances of LC devolvement, most of them were regularized within a week and some after 15 days of devolvement but within 25 days. However, the company expects sufficient cushion in cash accruals vis-à-vis debt repayment obligations in the next 3 years. The average fund-based limit utilisation of ATMASTCO Limited, remained high at 85.83% and non-fund-based utilization remained high at 85.83% during the past 12 months ended June'23. Unencumbered cash and bank balance is Rs. 1.34 Crore as on 31st Mar'23. ATMASTCO's operating cycle improved from 272 days in FY22 to 81 days in FY23(P) due to decrease in collection period from 138 days in FY22 to 50 days in FY23 and decrease in inventory period from 220 days FY22 to 71 days in FY23(P) with an increase in scale of operations. Current ratio and quick ratio stood moderate at 1.48x and 1.03x as on March 31,2023 respectively.



Press Release

About the Company

ATMASTCO Limited was founded by Mr. Swaminathan Iyer and Mr. G. Venkataraman in year 1987 as a trading company in Bhilai district of Chhattisgarh. The company then become a public limited company in the year 1994. It's a multidisciplinary engineering company for design, manufacture, supply, erection and commissioning of high precision mechanical equipment and specialized heavy structures for core industrial sectors like steel, energy and power, railway, cement, infrastructure, water systems etc. The company has 2 units in Bhilai and Trichy each. The company has entered into a new line of business during FY23, wherein it has started as contractor for construction and setting up of factory premises for private players.

Financials (Standalone):

(Rs. Crore)

For the year ended*/ As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	93.61	278.26
EBITDA	13.99	28.00
PAT	3.23	11.78
Total Debt	51.56	68.06
Tangible Net Worth	42.35	54.13
EBITDA Margin (%)	14.95	10.06
PAT Margin (%)	3.41	4.22
Overall Gearing Ratio (x)	1.22	1.26

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CARE Ratings vide its press release dated August 08th, 2022 has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.



Press Release

India Ratings vide its press release dated April 18th, 2023 has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 18 th , 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned	Date(s) & Rating(s) assigned
1.	Term Loan	Long Term	0.50	IVR BB+ / Stable	IVR BBB- / Stable			
2.	Term Loan	Long Term	2.66	IVR BB+ / Stable	IVR BBB- / Stable			
	Term Loan	Long Term	0.10	IVR BB+ / Stable	IVR BBB- / Stable			
	Term Loan	Long Term	3.53	IVR BB+ / Stable	IVR BBB- / Stable			
	Cash Credit - I	Long Term	2.00	IVR BB+ / Stable	IVR BBB- / Stable			
	Cash Credit - II	Long Term	26.50	IVR BB+ / Stable	IVR BBB- / Stable			
	Cash Credit - III	Long Term	5.00	IVR BB+ / Stable	-			
	Cash Credit	Long Term	10.00*	IVR BB+ / Stable	-			
	SLC	Short Term	5.00	IVR A4+	IVR A3			
	LC	Short Term	35.00	IVR A4+	IVR A3			
	BG	Short Term	40.00	IVR A4+	IVR A3			
	Inland BG	Short Term	23.00	IVR A4+	IVR A3			
	FLC	Short Term	(3.00)**	IVR A4+	IVR A3			
	BG	Short Term	20.00	IVR A4+	-			

*WCDL of Rs. 8.00 Crore is the sublimit of Cash Credit.

**Sublimit of LC

Name and Contact Details of the Rating Analyst:



Press Release

Name: Harsh Raj Sankhla
Tel: (011) 45579024
Email: harshraj.sankhla@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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and 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 (INR Crore)	Rating Assigned/ Outlook
Term loan	-	-	Dec'24	0.50	IVR BB+ / Stable



Press Release

Term loan	-	-	Dec'26	2.66	IVR BB+ / Stable
Term loan	-	-	Dec'26	0.10	IVR BB+ / Stable
Term loan	-	-	Sept'25	3.53	IVR BB+ / Stable
Cash Credit	-	-	-	2.00	IVR BB+ / Stable
Cash Credit	-	-	-	26.50	IVR BB+ / Stable
Cash Credit	-	-	-	5.00	IVR BB+ / Stable
Cash Credit	-	-	-	10.00*	IVR BB+ / Stable
SLC	-	-	-	5.00	IVR A4+
LC	-	-	-	35.00	IVR A4+
BG	-	-	-	40.00	IVR A4+
Inland BG	-	-	-	23.00	IVR A4+
FLC	-	-	-	(3.00) **	IVR A4+
BG	-	-	-	20.00	IVR A4+

*WCDL of Rs. 8.00 Crore is the sublimit of Cash Credit.

**Sublimit of LC

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-atmastco-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 www.infomerics.com.