

Press Release

Amba Shakti Industries Limited

November 03, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Ratings	Rating Action
Long Term Fund Based Bank Facilities-Term loan	39.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Long Term Fund Based Bank Facilities-Cash credit	25.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Short Term Non-Fund Based Bank Facilities-LC/BG	15.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed
Total	79.00			

Details of Facilities are in Annexure 1

Detailed Rationales

The reaffirmation of the rating to the bank facilities of Amba Shakti Industries Limited (ASIL) derives comfort from experienced promoter and management, government sops and locational advantage, diversified market presence and installation of efficient technology. These rating strengths are partially offset by cyclicity in the steel industry and susceptibility of operating margin to volatility in raw material prices and finished goods.

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Upward Factors

- Substantial growth in scale of business with improvement in profitability metrics over projected parameters thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward Factors

- Substantial shortfall in projected performance parameters, operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter and management

ASIL is promoted by Mr. Surender Kumar Goel, who has an experience of over four decades in steel industry by virtue of establishing AMBA group with manufacturing units under the name of M/s Amba Shakti Ispat Ltd., M/s Durga Ispat Ltd., M/s Amba Shakti Udyog Ltd. and M/s Goa Ispat Ltd. Company is guided by experienced management, having minimum experience of 20 years in the respective domains.

Government sops and locational advantage

Project comes under the UP industrial investment policy. This makes it entitled for reimbursement of GST deposited annually to the tune of 70% for Mega projects for 10 years. Capital Interest Subsidy to the extent of 5% per annum in the form of reimbursement on loan taken for the procurement of Plant & Machinery for 5 years subject to an annual ceiling of Rs. 50 lacs will be availed to the proposed project and exemption of Electricity Duty at 15% to the project for 10 years. The plant enjoys a locational advantage due to proximity to ICD terminal Dadri (12 kms



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from the plant), which helps in convenient and cheap transportation of raw materials and finished products.

Diversified market presence

AMBA Group has a strong presence across 11 states namely, MP, UP, Rajasthan, Haryana, Himachal Pradesh, Punjab, Delhi, Kerala, Maharashtra, Karnataka and Goa. The Group has strategically established plants at various location across the country to maximise its presence.

Installation of efficient technology

ASIL's plant has implemented CCM (Continuous Casting Machine) technology which is used to manufacture the billets, which further acts as raw material for TMT bars. Billet formation with the previous ingot method involves the reheating of the intermediary product, which is completely eliminated by latest technology. This has led to improved efficiency in the form of energy conservation and significant savings.

Key Weaknesses

Cyclicality in the steel industry

The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices. But, the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened in the recently, coupled with robust demand in the domestic markets in India.

Susceptibility of operating margin to volatility in raw material prices and finished goods

Since, the raw material is the major cost driver (constituting about 80% of total cost of sales in FY19) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly



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volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to be adequate marked by the adequate expected gross cash accruals to meet the near-term debt obligations. ASIL has commenced its operations from Sep, 2020. Further, comfortable contribution from promoters (through equity and subordinated unsecured loans) to fund the project imparts comfortable towards intent to maintain the comfortable capital structure.

About the Company

AMBA Group of Industries incorporated in 1973 by establishing the first manual rolling mill at Meerut Road, Muzaffarnagar (U.P.) in the name of Durga Ispat Ltd. (DIL). DIL is engaged in the manufacturing of M.S. Bars. The group has set up various steel companies equipped with modern technology in the states of Uttar Pradesh, Goa, Himachal Pradesh and Madhya Pradesh. The group is also running L.P.G. Cylinders Unit at Noida (Uttar Pradesh). Amba Group has a presence in 11 states with their well-known brands - AMBASHAKTI 500 SD/AMBA SARIA.

Amba shakti Industries Limited (ASIL) is a closely held public limited company, incorporated in May, 2013 and is a part of AMBA Group. The company is promoted with an object to undertake the business of manufacturing of TMT steel, Billets. The registered office of ASIL is at M-84, First Floor, Greater Kailash-II, New Delhi. The Board includes Surender Kumar Goel, Akshat Goel and Dhruva Goel.

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Financials (Standalone):

The company has commenced its operations from September, 2020 and hence, financial performance is not applicable.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan	Long Term	39.00	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (August 29, 2019)	-	-
2.	Cash credit	Long Term	25.00	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (August 29, 2019)	-	-
3.	LC/BG	Short Term	15.00	IVR A3	IVR A3 (August 29, 2019)	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long Term Bank Facilities- Term Loan	-	-	Latest by November, 2026	39.00	IVR BBB- / Stable Outlook
Long Term Bank Facilities- Cash Credit	-	-	Revolving	25.00	IVR BBB- / Stable Outlook
Short Term Bank Facilities- LC/BG	-	-	Revolving	15.00	IVR A3



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