

Press Release

Amtech Technocast

March 19, 2019



Rating Assigned

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 5.50 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 5.50 crore bank facilities of Amtech Technocast (AT). The outlook is '**Stable**'.

Established in 2016, AT is a Gujarat-based partnership firm promoted by Mr. Manishbhai Bhalala and Mr. Ramnikbhai Bhalala. The firm is engaged in manufacturing of investment castings and valves. The company started its operations from October, 2018 with manufacturing facility located in Rajkot (Gujarat). The installed capacity is 450 tonnes per annum. The firm will start exporting to New Zealand, Australia and USA.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of AT to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess experience of more than a decade in investment casting business from their group company Amtech Investment Castings Private Limited (engaged in manufacturing of investment castings). Acuité believes that the firm will benefit from established relations of the promoters with customers and suppliers.

Weaknesses

- **Risk associated with volatility in raw material prices and forex risk**

The major raw material of the firm is stainless steel scrap. The prices of the same are fluctuating in nature, therefore, the operating profit margins of the firm is susceptible to raw material price fluctuation. Further, the firm will be exporting to the countries such as New Zealand, Australia and USA which will further add forex risk on the firm.

- **Nascent stage of operations**

The commercial production of the unit started in October 2018. The firm has booked revenue of Rs.6.04 crore for the period October to January, 2019. Timely stabilisation of operations, and commensurate ramp-up in revenue and operating profitability, during the initial stage of operations, remain critical. Further, Acuité believes that the firm's ability to generate cash accruals over the medium term would be a key sensitivity factor.

Liquidity position:

Acuité expects the liquidity position of AT to be moderate for the first year of operations and expects maturing debt obligations to stand at Rs.0.80-1.20 crore during FY19-21. Acuité believes that the promoters would support the company till operations stabilise. The liquidity of the company is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the promoters to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuité believes that the outlook for AT will remain 'Stable' over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the company achieves more than

expected revenue and improvement in capital structure. Conversely, the outlook may be revised to Negative in case of lower than expected revenues and/or deterioration in the capital structure.

About the Rated Entity - Key Financials

Not applicable as the operations started from October, 2018.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Term loan | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE B / Stable |
| Proposed Fund Based Facility | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE B / Stable |

Contacts

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About Acuité Ratings & Research:

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