Press Release

Ambey Metallic Private Limited

March 15, 2023

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.65	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	18.35	-	ACUITE A3 | Assigned
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of **'ACUITE BBB-'(read as ACUITE triple B minus)** and short term rating of '**ACUITE A3' (read as ACUITE A three)** on the Rs 30.00 crore bank facilities of Ambey Metallic Private Limited (AMPL).
The outlook is **'Stable'**.

Rationale for Rating

The rating takes into account the established track record of operations along with experienced management which is also reflected from its growing revenue trend. Further, the rating factors in the healthy financial profile characterized by low gearing and strong debt protection metrics. The rating also draws comfort from the low reliance on bank borrowing with an average fund based limit utilization of 63% for last 12 months ended January 2023. These strengths are however, partly offset by the working capital intensive nature of operations and cyclical nature of the steel industry and the vulnerability of the margins to the volatility in commodity prices.

About the Company

Incorporated in 2001, Ambey Metallic Private Limited (erstwhile Ambey Metallic Limited), manufactures sponge iron using iron ore and coal as the key raw materials. Mr. Sunil Garg, Mr. Vinod Agarwal and Mr. Pawan Bansal are the promoters and the key management personnel of the company having an experience of more than two decades in the iron and steel industry. The company has an installed capacity of 36,000 Metric Tonnes Per Annum (MTPA) at its manufacturing facility in Pissurlem, Goa.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AMBEY METALLIC PRIVATE LIMITED to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record

The company is promoted by Mr. Sunil Garg, Mr. Vinod Agarwal and Mr. Pawan Bansal. The directors are well experienced and have been in the industry for more than two decades. The long standing experience of the promoters and long track record of operations of mare than two decades has helped them to establish longstanding relationships with key suppliers and reputed customers. Further, the clientele consists of majorly reputed players in the iron and steel industry which mitigates counterparty credit risk.
Acuité derives comfort from the extensive experience of the management and established track record and believes this may continue to benefit the company going forward.

Augmentation in Business Risk Profile
AMPL witnessed an improvement in its scale of operations with revenue of Rs.80.48Crore in FY22 against Rs.62.63 Crore in FY21. The performance continued to improve in FY23 as well with revenue achieved of Rs.82.26 Crore till February 2023. AMPL also operated at a healthy capacity of ~73.84% per cent in FY22 driven by increase in demand of steel products. There is an increase in revenue on account of high yield material the company is getting on domestic level as Goa has its own iron ore mines and raw material is locally available which enables the company to generate higher yield per MT production, resulted into realization of higher margins year on year basis. In addition, last 3 years have also shown sustained increase in sponge iron prices. Thus, the company will continue to get the benefit of the price momentum. The EBITDA Margin stood at 7.67 % in FY22 against 6.68 % in FY21. Along with this, the PAT Margins of the company stood at 5.42% in FY22 against 1.70% in FY21.
Acuite believes that scale of operations may continue to improve going forward with an improved demand scenario.

Healthy Financial risk profile
The financial risk profile of the company is healthy marked by healthy net-worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.24.13 Crore in FY22 against Rs.19.76 Crore in FY21 majorly due to accretion of profits to the reserves. The total debt of the company stood at Rs.8.97 Crore (consists GECL loan of Rs.1.11 Crore along with short term debt of Rs.7.06 Crore) in FY22. The company follows a conservative financial policy reflected through the debt-equity ratio of the company improved from 0.41 times in FY21 to 0.37 times in FY22 and it will continue to improve in succeeding years as well with no major debt-funded capex plans. Further, the DSCR and ICR of the company stood at 6.69 times and 10.38 times in FY22 respectively against 1.97 times and 2.26 times in FY21 respectively. The TOL/TNW ratio stood at 0.78 times in FY22 against 1.08 times in FY21.
Acuite believes that financial risk profile of the company may continue to remain healthy with no major debt funded capex plans.

Weaknesses

Moderate Working Capital Operations
The working capital operation of the company are moderately intensive marked by GCA days of 153 days in FY22 against 193 days in FY21. The GCA Days are improved on an account of improvement in the realization of debtors which stood at 10 days in FY22 against 46 days in FY21 along with improvement in the inventory days of the company which stood at 99 days in FY22 against 147 days in FY21.There is an improvement in the inventory days on an account of reliance on import have been reduced and company has raw materials locally available in Goa. The GCA days in FY22 also comprises of other current assets which included loans and advances given to friends and relatives of Rs 9.93 Cr. The creditor days of the company stood at 49 days in FY22 as against 81 days in FY21.
Acuite believes that working capital operations of AMPL may continue to remain moderately intensive considering the nature of business.

Exposure to inherent cyclicality and competitive & capital intensive nature of steel sector
The company's performance remains vulnerable to cyclicality in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. While there has been a significant push by the government on steel-intensive sectors such as railways and infrastructure, any sustained downturn in demand will adversely impact performance of steel companies. The competitive intensity in the Indian steel sector is

significant owing to presence of large steel companies.

Rating Sensitivities

- Significant improvement in revenue and margins.
- Any further elongation of working capital cycle leading to stretch in liquidity.
- Any significant change in capital structure.

Material covenants

None.

Liquidity Position

Adequate

The liquidity position of the company is adequate. The company has generated net cash accruals of Rs.4.78 Crore in FY22 against the debt repayment obligations of Rs.0.14 Crore in the same period. Further, the company is expecting to generate net cash accruals of Rs.6.22 Crore and Rs.6.90 Crore in FY23 and FY24 against the debt repayment obligation of Rs.0.80 Crore and Rs.1.05 Crore respectively for the same period. The current ratio of the company stood at 1.95 times in FY22 against 1.59 times in FY21. The average fund based bank limit utilization of the company stood at 63% and non-fund based bank limit utilization stood at 70.77% in last 12 months ending January 2023. Acuite believes that liquidity position of the company may remain adequate with sufficient generation of cash accruals and lower reliance on bank borrowings.

Outlook: Stable

Acuité believes that AMPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, and healthy revenue visibility due to new in-house structure set up by them. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its efficient working capital operations. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, most likely due to significant debt funded capex or any significant withdrawal of quasi capital, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	80.48	62.63
PAT	Rs. Cr.	4.36	1.06
PAT Margin	(%)	5.42	1.70
Total Debt/Tangible Net Worth	Times	0.37	0.41
PBDIT/Interest	Times	10.38	2.26

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

Not Applicable.

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Entities In Manufacturing Sector:- https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.35	ACUITE A3 | Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.65	ACUITE BBB- | Stable | Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE A3 | Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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