



**Press Release**  
**Ambey Metallic Private Limited**  
**April 17, 2024**

**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB-   Negative   Assigned	-
Bank Loan Ratings	11.65	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	18.35	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	35.00	-	-

**Rating Rationale**

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

Also, Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) of Rs 5.00 crore bank facilities of Ambey Metallic Private Limited (AMPL). The outlook is '**Negative**'.

**Rationale for rating reaffirmation and revision in outlook**

The change in outlook Negative factors in the significant moderation of the profitability in FY2023 led by the increase in the international coal and iron ore prices. The company reported EBITDA of 1.39% in FY2023 as against 7.67% in FY2022. This resulted in the weakening of its coverage metrics as reflected by ICR and DSCR of 1.81 times and 1.01 times in FY2023 against 10.38 times and 6.69 times against FY2022. The company's recovery in the margins will be monitorable. Further, the ratings take into account 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. The ratings however, positively take into account the augmentation in the scale in FY2023 and a further a 37% growth estimated in FY2024. Besides, the ratings take into account the established track record of operations along with experienced management. Acuite takes into account the comfortable capital structure as the company has a low reliance on bank borrowing with an average fund based limit utilization of 38.09% for last 12 months ended January 2024.

**About the Company**

Incorporated in 2001, Ambey Metallic Private 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 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.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite 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. Directors of the company 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 more 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 the revenues

AMPL registered revenue of Rs. 87.03 Cr. in FY23 against Rs. 80.48 Cr. in FY22 marking a growth of 7.5%. Sponge Iron is the major revenue generating product of the company which has derived the revenue growth in FY2023. In 10MFY2024, the company has achieved Rs. 99.90 Cr. till January 2024 and the revenue estimation for FY2024 is in the range of Rs. 115 Cr. to Rs. 120 Cr., marking a growth of 37% over the previous fiscal.

### Weaknesses

#### Decline in the profitability along with deterioration in the coverage indicators

In FY2023, the operating margin of the company declined to 1.39% in FY23 from 7.67% in FY22 and PAT margins declined to 0.43 % in FY23 against 5.42% in FY22. The decline in margins were due to the increasing international coal prices along with an increase in price of iron ore, which impacted the company's profit margins negatively. In FY2024, to mitigate the iron ore procurement issue, the company transitioned to using iron ore pellets, resulting in higher quality sponge iron and improved average prices. Furthermore, the correction in the coal prices in FY2024 is expected to improve the EBITDA margins. The coverage ratios have deteriorated as reflected by DSCR and ICR of the company deteriorate and stood at 1.01 times and 1.81 times in FY23 respectively against 6.69 times and 10.38 times in FY22 respectively. Though the capital structure continues to remain comfortable with gearing of at 0.34 times in FY23 against 0.37 times in FY22 and it is expected to remain comfortable in succeeding years with no major debt-funded capex plans.

#### Intensive working capital operation

The working capital operation of the company are intensive marked by high GCA days which stood at 184 days in FY23 against 153 days in FY22. The increase in GCA days were majorly due to increase in inventory that stood high at 153 days in FY23 as against 99 days in FY22 due to raw material procured during the last quarter. The debtor days of the company stood at 17 days in FY23 as against 10 days in FY22. The creditors days stood at 94 days in FY23 against 49 days in FY22.

Acuité believes that the working capital management of the company will remain a key rating sensitivity going ahead.

#### Exposure to inherent cyclicity and competitive & capital intensive nature of steel sector

The company's performance remains vulnerable to cyclicity 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

- Substantial improvement in profitability while maintaining its business risk profile.
- Any further elongation in working capital cycle impacting its liquidity.

### Liquidity Position

**Adequate**

The liquidity position of the company is adequate. The company has generated net cash accruals of Rs. 0.82 Cr in FY23 against the debt repayment obligations of Rs. 0.80 Crores in the same period. The current ratio of the company stood at 1.52 times against 1.95 times in FY22. Further, the company had a buffer in the fund based limits with average fund-based bank limit utilization of the company stood at 38.09% and non-fund-based bank limit utilization stood at 63% in last 12 months ending January 2024. Acuité believes that the liquidity position of the company will continue to remain adequate on account of sufficient cash accruals against matured debt obligations over the medium term.

### **Outlook: Negative**

Acuité has revised the outlook on AMPL to 'Negative' due to decline in the company's earning profile in FY2023 impacting its business risk profile. The rating may be further downgraded in case of further deterioration in the earning and the financial risk profile. Conversely, the outlook may be revised to 'Stable' with the improvement in the profitability along with reduced dependence on short term funding through decline in WC cycle days.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	87.03	80.48
PAT	Rs. Cr.	0.37	4.36
PAT Margin	(%)	0.43	5.42
Total Debt/Tangible Net Worth	Times	0.34	0.37
PBDIT/Interest	Times	1.81	10.38

### 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>
- Manufacturing Entities: <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, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Mar 2023	Cash Credit	Long Term	11.65	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	18.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	0.35	ACUITE A3 (Assigned)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.35	ACUITE A3   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.65	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A3   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Negative   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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