



Press Release
ATMASTCO LIMITED
July 26, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	59.65	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	130.35	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	190.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and a short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.190.00 Cr. bank facilities of Atmastco Limited. The outlook is '**Stable**'.

Rationale for Rating

The rating reflects the stable business risk profile marked by diversified revenue from fabrication and engineering, EPC of structural infrastructures and trading of cutting tools, grinding wheels, helmets, with a moderate order book. It has presence in both Private and Government sector. It has a strong clientele base namely Vedanta Limited, Tata Steel Limited, Adani, Bharat Heavy Electricals Limited among others. The rating also takes into account healthy financial risk profile marked by comfortable net worth, moderate debt protection metrics and adequate liquidity position. However, the ratings are constrained by it's working capital intensive nature of operations

About the Company

Established in 1994 in Chattisgarh, Atmastco Limited (Atmastco) is engaged in fabrication and engineering, EPC of structural infrastructure, manufacturing of steel components and provide quality and innovative solutions for commercial, residential, and industrial buildings. The directors include, Ms. Jayasudha Swaminathan, Mr. Subramaniam Swaminathan Iyer, Mr. Venkataraman Ganesan, Mr. Chandan Ambaly, Mr. Siddhartha Shankar Roy and Mr. Gobichettipalayam Srinivasan Venkatasubramanian.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Atmastco Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and strong clientele base with diversified geographic presence

Atmastco has been in operations for more than two decades and has established healthy relationships with the clientele. The company's growth is aided by the industry experience of Mr. Subramaniam Swaminathan Iyer along with the other promoters. It has some marquee

clients such as Vedanta Limited, Tata Steel Limited, Bharat Heavy Electricals Limited, Engineers India Limited among others. The contribution from Government sector is 40 percent and the rest is from private sector. The presence of the government clientele keeps the counterparty default risk lower. Moreover, the company has established a diversified presence with operations in Chhattisgarh, Tamil Nadu, Jammu and Kashmir and New Delhi. Acuite believes that the long-standing operations and the vintage of the promoters coupled with healthy relations with the clientele will continue to benefit the company going forward.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by comfortable adjusted net worth, moderate gearing and comfortable debt protection metrics. The adjusted tangible net worth stood at Rs.125.14 Cr. in FY 2024 as compared to Rs.69.37 Cr. in FY 2023 and Rs. 44.62 Cr. in FY2022 due to accretion of reserves of Rs 16.71 Cr, fresh issue of shares of Rs. 39.90 Cr. and unsecured loans being treated as quasi equity and other prior adjustments of Rs 0.95 Cr. Acuite has considered unsecured loans of Rs. 16.98 Cr. in FY 2024 as compared to Rs. 14.41 Cr. in FY 2023 and Rs. 2.27 Cr. as quasi equity, as the same is subordinated to bank loans. Adjusted gearing stood comfortable at 0.43 times in FY2024 compared to 0.82 times in FY2023 and 1.10 times in FY2022. The interest coverage ratio stood at 3.24 times in FY2024 compared to 3.25 times in FY2023 and 1.92 times in FY2022. The debt service coverage ratio stood at 2.00 times in FY2024 compared to 2.23 times in FY2023 and 1.74 times in FY2022. The TOL/TNW stood at 1.33 times in FY2024 compared to 2.40 times in FY2023 and 1.97 times in FY2022. Acuite believes that the company's financial risk profile will remain at a healthy level in medium term backed by steady cash accruals.

Declining but healthy revenues along with increasing operating profitability

Despite the decline of revenues to Rs. 224.01 Cr. in FY 2024 from Rs. 241.95 Cr. in FY 2023 and Rs. 93.61 Cr. in FY 2022, it still continues to remain healthy. The reason for decline in revenues in FY 2024 is because most of the orders completed towards the year end remain unbilled and are lying under work-in-progress. The operating profitability has increased to 17.33 percent in FY 2024 as compared to 12.81 percent in FY 2023 because contribution from EPC sector has increased since FY 2023 which commands higher margin and it caters to both sectors i.e. Private and Government with price escalation clauses built in its work contracts. The unexecuted order book stands at Rs. 414.23 Cr. as on June, FY 2024 which provides revenue visibility over near to medium term. The contribution from private sector is 60% and Government sector is 40% which leads to better margins. The decline in margins in FY 2023 was a result of correction in the prices of steel in the fabrication unit which had a higher percentage contribution in the revenues.

Weaknesses

Intensive working capital management

The operations of the company have an intensive working capital cycle days as reflected from Gross Current Assets of 423 days in FY2024 compared to 293 days in FY2023 and 401 days in FY2022. The inventory days stood at 180 days in FY2024 as compared to 166 days in FY2023 and 217 days in FY2022. The debtor days stood at 128 days in FY2024 compared to 56 days in FY2023 and 132 days in FY2022. The other current assets amounts to Rs. 83.25 Cr. in FY 2024. The creditor days stood at 179 days in FY2024 compared to 170 days in FY2023 and 117 days in FY2022. Acuite believes that working capital requirements are expected to remain intensive due to the collection mechanism policy of the company over the medium term.

Customer Concentration Risk

The company being a specialised contractor in EPC of structural infrastructures has led to increased dependence on orders from Vedanta Limited, contributing to higher share in the order book position. About 55.19 percent of the current order book dated June FY 2024 are from Vedanta Limited. The same has led to customer concentration risk of contracts. Acuite believes that the revenues and margins are susceptible to the customer concentration risk.

Rating Sensitivities

- Elongation of working capital cycle
- Customer concentration risk
- Decline in revenues

Liquidity Position

Adequate

The liquidity is adequate marked by steady net cash accruals of Rs. 21.16 Cr. in FY 2024 as against long term debt repayment of Rs. 4.41 Cr. over the same period. The cash and bank balances stood at Rs. 0.70 Cr. in FY 2024 as compared to Rs. 1.34 Cr. in FY 2023 and Rs. 0.01 Cr. in FY 2022. The current ratio stood at 2.10 times in FY 2024 as compared to 1.59 times in FY 2023 and 1.54 times in FY 2022. The promoters have demonstrated flexibility to infuse funds in the past as and when needed to support the growth in the business. Moreover, the fund-based limit was utilized at 85.30 per cent for the six-months ended June 2024. Acuité believes that going forward the liquidity position of the company will remain adequate in the absence of any major debt funded capex plans.

Outlook: Stable

Acuité believes that Atmastco Limited will continue to maintain a 'stable' outlook over the medium term due to its experienced management and established track record along with moderate order book position. The outlook may be revised to 'Positive', in case of higher than-expected revenues and profitability, while maintaining its capital structure and improving its working capital cycle days. Conversely, the outlook may be revised to 'Negative' in case Atmastco Limited registers lower-than-expected revenues and profitability or any further stretch in its working capital requirement leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	224.01	241.95
PAT	Rs. Cr.	16.71	12.78
PAT Margin	(%)	7.46	5.28
Total Debt/Tangible Net Worth	Times	0.43	0.82
PBDIT/Interest	Times	3.24	3.25

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

IND-RA, vide its press release dated April 8th, 2024 had denoted the rating of Atmastco Limited as 'IND-RA BB+/Stable/A4+; REAFFIRMED AND ISSUER NOT CO-OPERATING'.

CARE, vide its press release dated September 14th, 2023 had denoted the rating of Atmastco Limited as 'CARE B+/Stable/A4; REAFFIRMED, DOWNGRADED AND ISSUER NOT CO-OPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	63.00	ACUITE A3 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A3 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.18	ACUITE A3 Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.50	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	23 Aug 2024	Simple	3.46	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Oct 2026	Simple	1.47	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.17	ACUITE A3 Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.22	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Vedika Lahoti Associate Analyst-Rating Operations Tel: 022-49294065 vedika.lahoti@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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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