

Amba Enterprises Limited

June 11, 2020

Rating

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed and Withdrawn
Total Facilities	-		

Details of instruments/facilities in Annexure I

Detailed Rationale and Key Rating Drivers

CARE has reviewed the rating assigned to the bank facilities of Amba Enterprises Limited (AEL) to CARE BB; Issuer not cooperating and has simultaneously withdrawn it, with immediate effect. The reaffirmation in rating continues to be constrained by small scale of operations, lower profit margins, weak working capital intensive nature of operations and Competitive & cyclical nature of operations with prospects linked to the steel & power industry, long track record of over two decades of operations in transformer core lamination activities, highly experienced promoter with over two decades of experience in electrical steel stamping & lamination activities and comfortable capital structure.

The rating withdrawal for the proposed facility is at the request of Amba Enterprises Limited (AEL).

Detailed description of the key rating drivers

Key rating Weakness

Small scale of operations: Total operating income of AEL increased significantly to Rs.89.15 crore in FY19 (vis-à-vis Rs.73.51 crore in FY18). However it remained at modest level. During 9MFY20, the company has achieved TOI of Rs. 88.97 crore.

Low profit margins: PBILDT margin of the company declined to 2.56% in FY19 as against 3.44% in FY18.

Furthermore APAT margin remained in line with PBILDT margin and stood at 1.23% in FY19 from 1.89% in FY18. During 9MFY20, the PBILDT and PAT margin stood at 1.87% and 1.32%.

Working capital intensive nature of operations: Operating cycle of AEL stood at 44 days in FY19 as compared to 66 days in FY18, however collection period and inventory days stood at 72 days and 9 days in FY19 (as against 71 days and 10 days in FY18) However, creditor's period deteriorated to 37 days in FY19 from 15 days in FY18. Further AEL liquidity position marked by current ratio and quick ratio stood at 1.72 times and 1.61 times in FY19.

Competitive & cyclical nature of operations with prospects linked to the steel & power industry: AEL operates in a competitive environment with a large no. of organized and unorganized steel players operating in the market. This is evident in the high collection period offered to its customers, which is also prevalent in the industry. Moreover, the industry is cyclical in nature with prospects linked to the steel & power sector. For the company, steel is the primary input material. Hence, any fluctuations in the steel prices would have a direct bearing on its turnover and profitability. However, this can be partially offset by the potential demand for steel led by Make in India movement by the current government with a view to boost the investments in railways, power plants, construction, housing and other industrial activities; since the electrical steel is applied in diverse items viz. transformers, ballasts, motors, pumps, fans, wind mill generators, and for various other industrial purposes.

Key Rating Strengths

Long track record of over two decades of operations in transformer core lamination activities: AEL has a long track record of over two decades of operations in transformer core lamination activities. It is engaged in manufacturing of laminated steel core and trading of electrical steel in the form of CRGO, CRNO and CRCA coils. The company operates two manufacturing facilities at Nanded in Pune, Maharashtra for manufacturing of laminated steel core. Over the years, the company has established long-term relationship with its customers and reputed suppliers.

Highly experienced promoter with over two decades of experience in electrical steel stamping & lamination activities: The overall operations of AEL are looked after by Mr Ketan Mehta, who took over the charge of the company in 2006 as the MD. He possesses an extensive experience of over 25 years in the field of electrical steel stamping & lamination activities. Moreover, he is also assisted by the second line of management possessing relevant experience in the said field.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Comfortable capital structure and debt coverage indicators: The capital structure of AEL continued to remain comfortable and improved significantly with overall gearing of 0.18x as on March 31, 2019 (vis-à-vis 0.31x as on March 31, 2018) on account of lower reliance on external debt as on balance sheet date. The overall gearing further stood at 0.03x as on Sep 30, 2019.

Further, the debt coverage indicators also stood comfortable marled by total debt/GCA of 1.09x in FY19 (vis-à-vis 3.07x in FY18) and interest coverage at 4.21x (vis-à-vis 5.71x in FY18). The total debt /GCA and interest coverage stood at 0.73x and 5.71X during H1FY20.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology - Wholesale Trading](#)

[Financial ratios – Non-Financial Sector](#)

About the company

Incorporated in 1992 by Mr. Ashwin Tendulkar and Mr. Ashok Tandel, Amba Enterprises Limited (AEL) is engaged in manufacturing of laminated steel core and trading of various types of electrical steel in the form of CRGO (Cold Rolled Grain Oriented), CRNO (Cold Rolled Non Oriented) and CRCA (Cold Rolled Closed Annealed) coils, applied in the power equipment industry for manufacturing of transformers

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)	9MFY20
Total Operating Income	73.51	89.15	88.97
PBILDT	2.53	2.29	1.93
PAT	1.39	1.10	1.06
Overall Gearing (times)	0.31	0.08	NA
Interest coverage (times)	5.71	4.21	8.04

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)CARE BB; ISSUER NOT COOPERATING* (05-Feb-19)	1)CARE BB; ISSUER NOT COOPERATING* (10-Oct-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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