

Amba Enterprises Limited
October 10, 2017

Rating

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long-term Bank Facilities	5.00	CARE BB; ISSUER NOT COOPERATING* (Double B; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB+ (Double B Plus) on the basis of best available information
Total Facilities	5.00 (Rupees Five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Amba Enterprises Limited (AEL) to monitor the ratings vide e-mail communications/ letters dated May 30, 2017, August 03, 2017, August 04, 2017, August 28, 2017 and September 09, 2017 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, AEL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Amba Enterprises Limited's bank facilities will now be denoted as **CARE BB; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Rating has been revised on account of decline in profit margins and deterioration in capital structure and debt coverage indicators during FY17.

Detailed description of the key rating drivers (updated for FY17)**Key Rating Weaknesses**

Small scale of operations: Total operating income of AEL increased significantly to Rs.48.45 crore in FY17 (vis-à-vis Rs.14.85 crore in FY16). However it remained at modest level with low net worth base.

Low profit margins: PBILDT margin of the company remained low and declined significantly to 3.56% in FY17 as against 7.97% in FY16. Further in line with PBILDT margin, PAT margin also declined to 2.31% in FY17 from 5.45% in FY16.

Working capital intensive nature of operations: Working capital cycle improved to 64 days in FY17 as compared to 108 days in FY16 on account of improvement in collection and inventory period. However, creditor's period declined to 16 days from 44 days in FY16.

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.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

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.

Comfortable capital structure and debt coverage indicators: The capital structure of AEL continued to remain comfortable however it deteriorated slightly on account of working capital borrowings availed by the company in FY17.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology - Wholesale Trading](#)

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

[Rating Methodology-Manufacturing Companies](#)

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. In 2006, the overall management of the company was handed over to Mr. Ketan Mehta, MD, who is currently looking after its overall operations. The company got listed on the Bombay Stock Exchange on June 26, 2015, whereas its free float market capitalization stood at Rs.88.52 crore as on October 05, 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	14.85	48.45
PBILDT	1.18	1.73
PAT	0.81	1.12
Overall gearing (times)	0.00	0.19
Interest coverage (times)	761.61	70.34

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Non-fund-based - ST-Letter of credit	-	-	-	12.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	7.50	CARE D; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-Letter of credit	ST	12.00	CARE D; ISSUER NOT COOPERATING*	-	1) CARE D (13-Oct-16) 2) CARE A4 (15-Jul-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	7.50	CARE D; ISSUER NOT COOPERATING*	-	1) CARE D (13-Oct-16) 2) CARE B+ (15-Jul-16)	-	-

**Issuer did not cooperate; Based on best available information*

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