

January 06, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.00	SMERA B+/Stable (Assigned)
Cash Credit (proposed)	2.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to the abovementioned bank facilities of East India Steel Company (EISC). The outlook is '**Stable**'. The rating derives comfort from the firm's experienced management. However, the rating is constrained by the firm's small-scale operations and weak financial risk profile. The rating is also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices amidst intense competition in the steel industry. The rating factors in risks associated with the proprietorship constitution of the firm.

EISC, established in 2008, is a Pune-based proprietorship firm engaged in trading of steel scrap. EISC benefits from its experienced management. Mr. Abdul Hameed Hasmullah Choudhary, proprietor of EISC, has around ten years of experience in trading of steel scrap. EISC has small-scale operations marked by revenues of Rs.19.63 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's weak financial risk profile is marked by low capital base of Rs.0.70 crore and high gearing (debt-equity ratio) of 5.11 times as on March 31, 2014. EISC's profit margins are exposed to volatility in steel scrap prices. The firm operates in an intensely competitive segment of the steel industry. EISC's financial profile is susceptible to withdrawal of capital by proprietor.

Outlook: Stable

SMERA believes EISC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving improvement in financial risk profile. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected growth in revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the firm

EISC, established in 2008, is a Pune-based proprietorship concern promoted by Mr. Abdul Hameed Hasmullah Choudhary. EISC undertakes trading of steel scrap.

For FY2013–14, EISC reported profit after tax (PAT) of Rs.0.37 crore on operating income of Rs. 19.63 crore, as compared with PAT of Rs.0.21 crore on operating income of Rs.12.50 crore in FY2012–13. The firm's net worth stood at Rs.0.70 crore as on March 31, 2014, as compared with Rs.0.63 crore a year earlier.

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