

Press Release

East India Steel Company

03 March, 2017

Rating Assigned (Suspension Revoked)

Total Instruments Rated*	Rs. 5.00 Cr
Short Term Rating	SMERA BB- / Outlook: Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 5.00 crore bank facilities of East India Steel Company. The outlook is '**Stable**'.

The Pune-based East India Steel Company (EISC) was incorporated in 2008. The firm was promoted by Mr. Abdul Hameed Hasmullah Choudhary and is engaged in the trading of steel scrap. The godown is located at Chakan.

Key Rating Drivers

Strengths

- Experienced management**

The promoter, Mr. Abdul Hameed Hasmullah Choudhary has a decade of experience in the trading of steel scrap.

- Efficient working capital management**

The firm has an efficient working capital management of 36 days for FY2015-16. The debtor days stood at 11 and creditor days at 5. The inventory days stood at 30 for FY2015-16.

- Average financial risk profile**

The gearing stood at 1.79 times for FY2015-16 as against 2.32 times for FY2014-15. The interest coverage ratio stood at 3.34 times in FY2015-16 as against 2.78 times in FY2014-15. The firm has moderate net worth of Rs.2.27 cr for FY2015-16 with healthy ROCE of 23.44 per cent in FY 2015-16.

Weaknesses

- Highly fragmented and competitive industry**

EISC operates in a highly fragmented and competitive industry with limited entry barriers.

- Margins are susceptible to raw material prices**

The raw material is largely steel and comprises ~70 percent of the cost of sales. Hence, the firm is susceptible to fluctuations in the prices of raw material in the absence of price escalation clause.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of East India Steel Company to arrive at the rating.

Outlook: Stable

SMERA believes that EISC will maintain a stable outlook over the medium term and benefit from its experienced management. The outlook may be revised to Positive if the firm registers substantial growth in revenue and profitability while maintaining debt protection metrics. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile or working capital management

About the Rated Entity - Key Financials

EISC was set up as a proprietorship concern in 2008 by Mr. Abdul Hameed Hasmullah Choudhary. The firm is engaged in the trading of steel scrap. For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.95 cr on operating income of Rs.47.19 cr, as compared to PAT of Rs.0.95 cr on operating income of Rs.49.59 cr in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-Mar-2016	Cash Credit	Long Term	INR 4 CR	SMERA B+ / Stable
	Proposed Cash Credit	Long Term	INR 2 CR	SMERA B+ / Stable
06-Jan-2015	Cash Credit	Long Term	INR 4 CR	SMERA B+ / Stable
	Proposed Cash Credit	Long Term	INR 2 CR	SMERA B+ / Stable

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB- / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable (Assigned)

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