

Press Release

EROS INFRASTRUCTURES PRIVATE LIMITED

December 13, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 16.50 crore bank facilities of EROS INFRASTRUCTURES PRIVATE LIMITED. The outlook is '**Stable**'.

Eros Infrastructures Private Limited (EIPL) was incorporated in 2003 by Mr.Amitkumar Narayanprasad Pande, Mrs. Gaitrydevi Narayanprasad Pande, Mr. Atulkumar Narainprasad Pande and others. The company is engaged in the manufacture of solar galvanised structures and sub stations since 2016. While steel (raw material) is procured from Jindal Steel and local players, the company purchases zinc from Hindustan Zinc. The manufacturing facilities are located at Nagpur, Maharashtra. The current capacity is 30000 metric tons per annum with current utilisation at 27000 metric tons per annum.

Key Rating Drivers

Strengths

- **Long track record of operations**

The company changed its line of business from manufacturing of telecom and transmission towers to solar galvanised structures from 2016. The Directors, Mr Amitkumar Narayanprasad Pande, Ms Gaitrydevi Narayanprasad Pande, Mr Atulkumar Narainprasad Pande and others have around 14 years of experience in the aforementioned line of business.

- **Reputed client base**

The company caters to reputed clients including KEC International, L&T, TATA, BHEL to name a few.

- **Average financial risk profile**

The average financial risk profile is marked by comfortable gearing, debt protection metrics and net worth. The debt equity stood at 0.46 times in FY2017 compared to 0.48 in FY2016. The Interest Coverage stood at 4.72 times in FY2017 as against 5.72 times in FY2016. The total debt of Rs 5.91 crore consist of Rs 5.35 crore of long term debt and Rs 0.56 crore of short term debt (cash credit facility). Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.49 times while Debt Service Coverage (DSCR) stood at 3.87 times as on 31 March, 2017. The networth stood at Rs 12.87 crore as on 31 March, 2017 compared to Rs.10.81 crore as on 31 March, 2016.

Weaknesses

- **Modest operating margins**

The company has modest operating margin of 4.50 per cent in FY2017 as against 17.98 per cent in FY2016. The company earns 75 per cent revenue from manufacturing and 25 per cent from job work. The profit margins are susceptible to volatility in raw material prices. Furthur, the company expects to earn similar margins in future due to the shift to manufacturing. The current capacity utilisation is 90 percent.

- **Highly competitive and fragmented industry**

SMERA Ratings Limited

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The company operates in a highly competitive steel industry with several organised and unorganised players limiting its bargaining power of EIPL.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of EIPL.

Outlook: Stable

SMERA believes that EIPL will maintain a stable outlook over the medium term on account of its experienced management and reputed client base. The outlook may be revised to 'Positive' in case the company registers higher revenues and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17, EIPL reported Profit after tax (PAT) of Rs. 2.01 crore on operating income of Rs.103.79 crore compared with PAT of Rs.1.37 crore on operating income of Rs.19.53 crore for FY2015-16.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.15	SMERA BB / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.35	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

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