

Press Release

AMIT IRON PRIVATE LIMITED

28 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 120.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs. 120.00 crore bank facilities of AMIT IRON PRIVATE LIMITED (AIPL). The outlook is '**Stable**'.

AIPL (the erstwhile Eskay Industrial Corporation) established in 1974, is an authorised distributor of hot and cold rolled products of Tata Steel Limited. The company is led by Mr. Amit Agarwal (Director) since 2000. AIPL has its registered office at Kolkata, West Bengal with service centre at Amta, West Bengal.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations**

The company has long track record of operations and benefits from the extensive experience of Mr. Amit Agarwal.

- **Average financial risk profile**

The financial risk profile is average marked by healthy net worth of Rs 26.08 crore in FY2017 (Provisional), an increase from Rs.24.85 crore in FY2016, mainly due to retention of profits. The debt-equity ratio stood at 4.74 times in FY2017 (Provisional) and 4.32 times in FY2016. The debt mainly comprises short term borrowings from banks. The Interest Coverage Ratio (ICR) stood at a moderate 1.15 times and Debt Service Coverage Ratio (DSCR) at 1.11 times in FY2017 (Provisional). The Net Cash Accruals to Total Debt (NCA/TD) stood at a low of 0.01 times in FY2017 (Provisional). The total outside liability to tangible net worth registered a high of 5.29 times in FY2017 (Provisional).

- **Large scale of operations**

The company posted revenue of Rs.327.27 crore in FY2017 (Provisional) as against Rs.321.33 crore in FY2016. The revenue till September 2017 stood at Rs.180.00 crore.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive, marked by high Gross Current Assets (GCA) days of 180 in FY2017 (Provisional) and 157 in FY2016 mainly due to increase in inventory days to 82 in FY2017 (Provisional) from 48 in FY2016.

- **Competitive and fragmented industry**

Since the iron and steel industry is fragmented, the company faces intense competition from several unorganised players which limits its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AIPL.

Outlook: Stable

SMERA believes that AIPL will maintain a stable outlook in the medium term on account of its experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and profitability while improving the working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	327.27	321.33	338.10
EBITDA	Rs. Cr.	14.15	14.65	13.20
PAT	Rs. Cr.	1.23	1.17	1.24
EBITDA Margin	(%)	4.32	4.56	3.91
PAT Margin	(%)	0.38	0.37	0.37
ROCE	(%)	9.96	10.73	18.81
Total Debt/Tangible Net Worth	Times	4.74	4.32	4.85
PBDIT/Interest	Times	1.15	1.15	1.19
Total Debt/PBDIT	Times	8.74	7.32	8.71
Gross Current Assets (Days)	Days	180	157	152

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)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not	Not	10.00	SMERA BB- /
		Applicable	Applicable		Stable (Assigned)
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB- / Stable (Assigned)
Proposed Channel Financing	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable (Assigned)
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	60.00	SMERA BB- / Stable (Assigned)
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable (Assigned)

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ABOUT SMERA

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