

Press Release

Euro Pratik Ispat India Private Limited

April 27, 2023



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	40.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 70 Cr bank facilities of Euro Pratik Ispat (India) Private Limited (EPIPL). The outlook is '**Stable**'.

Rationale for upgrade

The rating upgrade takes into account the stable operating performance and sustained financial risk profile of the company in FY2022. The revenue of the company stood at Rs. 670.40 crore in FY2022 as against Rs. 453.42 crore in FY2021 registering a growth of ~47 percent year-on-year basis. Further, the revenue of the company remained stable and stood at Rs. 612.15 crore for 11MFY2023. The growth is driven by both higher realisations and volumes. The operating margin of the company stood at 21.19% in FY2022 as against 19.70% in FY2021. However, these strengths are partially offset by working capital nature of operations.

About the Company

Incorporated in 1993, Euro Pratik Ispat (India) Private Limited (EPIPL) is a Chhattisgarh based company engaged in trading of iron ore, coal, derivatives of iron ore and other steel products. The promoters of the company, Mr Surendra Singh Saluja and Mr Harneet Singh Lamba have good experience in trading of iron ore and its derivatives and coal trading. The company has a crushing plant with a capacity of 200 TPH and is setting up a beneficiation plant with a capacity of 200 TPH at Jabalpur, Madhya Pradesh. The products are procured from Chhattisgarh and Madhya Pradesh and since 2018 company have also started importing its raw material requirements from Australia & South Africa. EPIPL has its customers in the western side of the country in Maharashtra, Madhya Pradesh, Chhattisgarh, Gujarat and other states and they are also exporting to Singapore and Hong Kong.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Euro Pratik Ispat (India) Pvt Ltd to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations

EPIPL commenced its operation in 1993 and is engaged in trading of iron ores, coal, derivatives of iron ore and other steel products, thereby having a long track record of operations of more than 25 years. The promoters of the company Mr Surendra Singh Saluja and Mr Harneet Singh Lamba have rich experience in trading of iron ore and coal. The established presence along with experience management has helped the group to maintain a long and healthy relationship with its customers for more than 5-7 years. The extensive experience of the promoters is also reflected through the healthy and consistent revenue growth.

Acuité believes EPIPL will continue to benefit from its long track of operations, long standing relation with its customers and the rich experience of the management.

Stable Operating Performance

The revenue of the company stood at Rs. 670.40 crore in FY2022 as against Rs. 453.42 crore in FY2021 registering a growth of ~47 percent year-on-year basis. Further, the revenue of the company remained stable and stood at Rs.612.15 crore for 11MFY2023. The growth is driven by both higher realisations and volumes. The growth in FY2022 is driven by both higher realisation and increase in volume sold as in FY 2021, company had sold around 14.55 lacs MT volume of products which has increased to 17.39 MT of volume in FY 22. The operating margin of the company stood at 21.19% in FY2022 as against 19.70% in FY2021. The margins of the company are comparatively higher than the industry average since the company provides end to end service to our customers in terms of sizing, beneficiation, material handling as well as transportation to the customer site.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by healthy tangible networth, low gearing ratio and healthy debt protection metrics. The tangible net worth of the company improved to Rs.302.42 crore as on March 31, 2022 as against Rs. 199.01 crore as on March 31, 2021 on account of accretion of profits to reserves. The company follows a conservative leverage policy as reflected in its peak gearing level of 0.07 times as on March 31, 2022 as against 0.18 times as on March 31, 2021. The total debt of the company stood at Rs. 22.54 crore as on March 31, 2022 which includes vehicle loans of Rs.9.79 crore, unsecured loans of Rs. 2.38 crore and working capital borrowings of Rs. 10.37 crore. The debt protection metrics are healthy marked by healthy coverage ratios as the interest coverage ratio stood at 47.97 times for FY2022 as against 37.21 times for FY2021. The debt service coverage ratio stood at 13.43 times for FY2022 as against 27.98 times for FY2021.

The company is setting up a beneficiation plant with 200 TPH capacity at Jabalpur, Madhya Pradesh. The total cost was expected to be Rs 70 Crore, however on account of some technical changes suggested by the technical team after the trial run, the total cost incurred went upto Rs. 100 crore. The plant is expected to be completely operational by May 2023. The project is funded through a term loan for the beneficiation plant to the tune of Rs. 40 crore and the remaining amount is funded through internal accruals.

Acuité believes that the financial risk profile of the EPIPL is likely continue to remain healthy on account of conservative financial policy.

Weaknesses

Working Capital Intensive Nature of Operations

The operations of the company are of moderate working capital intensive nature marked by GCA of 146 days in FY2022 as against 217 days in FY2021. The improvement in the GCA days is mainly on account of improvement in the debtor days as the debtor days stood at 52 days in FY2022 as against 107 days in FY2021. The inventory days stood at 57 days in FY2022 as against 32 days in FY2021. The payment to suppliers varies from advances to few suppliers to payment

terms with suppliers of 30-45 days for domestic purchases and 90-120 days for import purchases. The creditor days stood at 143 days in FY2022 as against 193 days in FY2021. However, the average utilisation of the working capital limits of the bank is on the lower side and stood at 30.34 percent for the six months ended February 2023.

Intense competition and inherent cyclical nature of mineral industry

Competition in wholesale trading of iron ore and coal is intense due to presence of various organized and unorganized players with limited differentiation in end products. The industry is also exposed to global volatility in the prices of minerals.

Rating Sensitivities

Significant improvement in scale of operations while maintaining profitability margins thereby improving the financial risk profile

Deterioration in working capital management leading to stretched liquidity

Material covenants

None

Liquidity Position Adequate

The liquidity position of the company is adequate marked by adequate net cash accruals against its maturing debt obligations. The company generated net cash accruals of Rs. 107.54 crore in FY2022 as against its debt obligation of Rs. 4.27 crore. The average utilisation of the working capital limits of the bank is on the lower side and stood at 30.34 percent for the six months ended February 2023. Going ahead, the net cash accruals is estimated to be in the range of Rs.74.27 crore to Rs. 83.28 crore during the period FY2023-2024 against the repayment obligations of Rs. 4.20 to 5.28 crore.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against maturing debt obligations.

Outlook: Stable

Acuité believes that EPIPL will maintain a 'Stable' outlook over the medium term on the back of well established presence and experience of the promoter in the commodity trading industry. The outlook may be revised to 'Positive' in case the company is able to generate a healthy growth in revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in its working capital cycle, thereby impacting its liquidity and financial risk profile

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	670.40	453.42
PAT	Rs. Cr.	103.41	77.57
PAT Margin	(%)	15.43	17.11
Total Debt/Tangible Net Worth	Times	0.07	0.18

PBDIT/Interest Particulars	Times Unit	47.97 FY 22 (Actual)	37.21 FY 21 (Actual)

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

None

Any Other Information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Mar 2023	Proposed Cash Credit	Long Term	30.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Letter of Credit	Short Term	40.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
05 Jan 2022	Proposed Letter of Credit	Short Term	40.00	ACUITE A2 (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB+ Stable Upgraded (from ACUITE BB+)
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2 Upgraded (from ACUITE A4+)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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