

Press Release

North India Steel Company (NISC)

12 June, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 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. 11.00 crore bank facilities of North India Steel Company. The outlook is '**Stable**'.

North India Steel Company (NISC) established in 2004, is a Pune-based proprietorship firm promoted by Mr. Akhtar Hussain Choudhury. The firm trades in steel scrap. Scrap is mainly purchased from automobile OEMs through the tendering process and sold to steel manufacturers, casting units and foundries. The day-to-day operations are led by Mr. Akhtar Hussain Choudhury and his brother, Mr. Abdul Hussain Choudhury.

List of key rating drivers and their detailed description

Strengths

Experienced management

Mr. Akhtar Hussain Choudhury, the proprietor, possesses experience of over a decade in the trading of steel scrap.

Moderate financial risk profile

The networth stood moderate at Rs.8.61 crore as against Rs.7.26 crore in the previous year. The TOL/TNW ratio stood at 1.51 times as on 31 March, 2016 (as against 2.01 times in the previous year). The interest coverage ratio has been moderate at 1.67 times in FY2016 which declined from 2.92 times in FY2015 mainly on account of increased interest burden.

Weaknesses

Decline in revenue and low profitability

The firm registered declining revenue trend from FY2014 to FY2016. The revenues declined to Rs.71.71 crore in FY2016 from Rs.110.84 crore in FY2014 mainly on account of subdued demand for steel scrap owing to competition faced from cheap imports of finished steel products. In FY2017 (Provisional), the firm earned revenue of ~Rs.71.00 crore.

The profitability of the firm is low on account of its trading nature of business. The operating margins stood at 2.86 per cent in FY2016 (as against 2.35 per cent in FY2015). The net margins declined to 1.06 per cent in FY2016 from 1.47 per cent in FY2015 on account of high interest burden.

Stretched liquidity position

The firm has stretched liquidity position evident from the high average cash credit utilisation of ~94 per cent from October, 2016 to March, 2017.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

Applicable Criteria

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

Outlook: Stable

SMERA believes that NISC will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the expected revenues, profitability or if the liquidity further deteriorates.

About the Rated Entity (Key Financials)

For FY2015-16, NISC reported net profit of Rs.0.76 crore on operating income of Rs.71.71 crore, as compared to net profit of Rs.1.45 crore on operating income of Rs.98.07 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	10.00	SMERA BB- /Stable (Assigned)	-	-	-	-	-	-
Proposed Cash Credit	LT	1.00	SMERA BB- /Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	10.00	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	NA	NA	NA	1.00	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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