

## Press Release

**Infomerics has assigned IVR A1+** (pronounced IVR A one plus) rating to the one year Commercial Paper programme of Rs.100 crores (aggregate of commercial paper outstanding and fund based working capital outstanding should be within the assessed drawing power under the fund based working capital limits) of Electrosteel Castings Ltd.

### **Rating & Definition**

**Infomerics has assigned IVR A1+** (pronounced IVR A one plus) rating to the one year Commercial Paper programme of Rs.100 crores (aggregate of commercial paper outstanding and fund based working capital outstanding should be within the assessed drawing power under the fund based working capital limits) of Electrosteel Castings Ltd. (ECL). Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

### **Rating Rationale**

The aforesaid rating derives comfort from the fact of ECL being the leader in the domestic D. I. (Ductile Iron) pipe segment, its long track record, operating efficiency due to strong backward integration, comfortable leverage, liquidity buffer in the form of unutilized fund-based working capital bank limit and buoyant outlook for domestic D. I. pipe market. The rating also takes into consideration company's exposure to movement in iron ore and finished goods prices, declining profitability, elongated receivable collection period, its sizeable exposure to one of its associate companies, Electrosteel Steels Ltd. yielding no return and increasing competition in the D. I. pipe segment. Going forward, ECL's standing in the Indian D. I. pipe market in the midst of increasing competition, continuity of order intake backed by government initiative and availability & price trend in iron ore shall be the major rating drivers.

### **Company Profile**

ECL, incorporated as Dalmia Iron and Steel Ltd. in November, 1955, has been belonging to Shri G. Kejriwal & his family of Kolkata since 1965. The company currently manufactures



## Infomerics Valuation and Rating Pvt Ltd

DI pipes, CI (Cast Iron) pipes and DI fittings, besides producing pig iron and low ash metallurgical coke (LAMC) majorly for captive consumption. DI pipes and fittings contributed 78% of gross sales in FY16. Its aggregate D. I. Pipe manufacturing capacity is 2.8 lakh tones which is being operated at 100% capacity. The company has three manufacturing units - two in West Bengal and one in Tamil Nadu.

DI pipes are primarily used for water supply, sewerage and transmission with ECL's major customers being government departments, urban local bodies and large infrastructure players. ECL is the largest player in the D. I. pipe segment of the country commanding 22% market share, while its aggregate market share alongwith a group company is over 40%. During FY2016, the company, on a standalone basis reported a Profit After Tax of Rs.59.0 crores (Rs.72.6 crores in FY2015) on a Total Operating Income of Rs.1,972.3 crores (Rs. 2153.8 crores in FY2015).

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