

**Press Release****Eagle Steel Industries Private Limited****February 25, 2019****Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Rating Assigned</b>
1.	Long Term Fund Based Limits	12.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
	<b>Total</b>	<b>12.00</b>	

**Details of Facilities are in Annexure 1****Detailed Rationale**

The rating derives strength from the experienced promoters, comfortable capital structure and moderate debt coverage indicators and established relationship with customers and suppliers. The rating however is constrained by moderate scale of operation, low profitability margins, working capital intensive operation and high industry competition. Capital structure, growth in scale of operations and profitability and working capital management are the key rating sensitivities.

**Detailed Description of Key Rating Drivers****Key Rating Strengths****Experienced promoters**

The company was promoted by Mr. Rafiqbhai Ghanchi and Mr. Mohammadilyas Ghanchi in 2006. Both the promoters have long experience of over two decades in the steel trading business.

**Comfortable capital structure and moderate debt coverage indicators**

The long term debt to equity ratio and long term debt to EBIDTA were comfortable at 0.06x and 0.21x respectively as on March 31, 2018 in the absence of any long term debt. The overall gearing ratio was also comfortable as on March 31, 2018.

## **Established relationship with customers and suppliers**

The company has established strong relationship with its customers and suppliers owing to the long experience of the promoters in this line of business. Good relationship with suppliers enables the company to procure some of its raw materials from auctions at competitive prices.

## **Key Rating Weakness**

### **Moderate scale of operation**

Although the total operating income of the company increased marginally in FY18, the scale of operations of the company continues to be moderate.

### **Low profitability margins**

The profitability margins of the company are low. Although the EBITDA margin increased marginally in FY18, it continues to remain on the lower side. Further, the PAT margin of the company continues to be low.

### **Working capital intensive operation**

Operations of the company are working capital intensive. The debtor collection days is generally high around 100-130 days (improved from 129 days in FY17 to 102 days in FY18). The operating cycle of the company stood at 100 days in FY18.

### **High competition in the industry**

Steel trading industry has very few barriers to entry and there is presence of many players in the industry.

## **Analytical Approach & Applicable Criteria:**

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

## Liquidity

The company is earning a modest level of GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. However, the company has no long term debt for scheduled repayment. Promoters have financially supported operation of the business as and when required. All these factors indicate a moderate degree of liquidity support to the company in meeting its interest obligations.

## About the Company

Eagle Steel Industries Pvt. Ltd. (ESIPL) is a private limited company incorporated by Mr. Rafiqbhai Ghanchi and Mr. Mohammadilyas Ghanchi in 2006. The company is involved in trading of various products such as wide range of mild steel coil, mild steel bars, scrap and other metal products. The Ghanchi family has been in the metal trading business for over 70 years. Prior to the incorporation of ESIPL, the promoters were actively involved in the business through Eagle Steel, a proprietorship firm based out of Ahmedabad. Both the promoters are directors in the company.

## **Financials (Standalone)**

**(Rs. crores)**

<b>For the year ended* / As On</b>	<b>31-03-2017 (Audited)</b>	<b>31-03-2018 (Audited)</b>
Total Operating Income	58.17	60.98
EBITDA	1.65	1.85
PAT	0.12	0.16
Total Debt	8.95	8.78
Tangible Networth	5.80	5.97
EBITDA Margin (%)	2.84	3.03
PAT Margin (%)	0.20	0.26
Overall Gearing Ratio (x)	1.54	1.47

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Nil

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Fund Based Facilities	Long Term	12.00	IVR BB /Stable Outlook	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits	--	--	--	12.00	IVR BB/Stable Outlook