Amit Iron Private Limited

March 15, 2018

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Ratings†</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities</td>
<td>25.00</td>
<td>CARE BB-, Stable; ISSUER NOT COOPERATING* (Double B minus; Outlook: Stable; ISSUER NOT COOPERATING*)</td>
<td>Issuer not cooperating; Based on best available information</td>
</tr>
<tr>
<td>Total Facilities</td>
<td>25.00 (Rupees Twenty Five crore only)</td>
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<td></td>
</tr>
</tbody>
</table>

Detailed Rationale & Key Rating Drivers

Amit Iron Private Limited (AIPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE’s rating on AIPL’s bank facilities will now be denoted as CARE BB-, Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings take into account the working capital intensive nature of operations leading to elongated operating cycle, moderate financial performance with low profitability margin, high overall gearing ratio, susceptibility of profitability to fluctuations in traded goods prices and cyclicality in the metal industry. The above rating constraints are partly mitigated by the experience of the promoters with long track record in trading business, long and established relationship with Tata Steel Ltd and exclusive distributorship of HR coils and CR coils in West Bengal.

The ability of the company to increase the scale of operations and improve operating margins and capital structure along with efficient management of working capital limits would remain the key rating sensitivities.

Detailed description of the key rating drivers

At the time of last rating on February 08, 2017 the following were the rating strengths and weaknesses (updated for the information available from the company):

Key Rating Weaknesses

Working capital intensive nature of operation leading to elongated operating cycle: AIPL’s operations are working capital intensive in nature as the company need to give higher credit period to its industrial clients on account of high competition in steel trading business whereas it need to procure the traded goods from TATA Steel mainly on cash basis. Furthermore, the company usually maintains inventory of about 2 months to ensure prompt supply to its customers.

Moderate financial performance of the company with low profitability margins: The total operating income of AIPL witnessed a y-o-y growth of about 1.96% to Rs.327.63 crore in FY17 (refers to the period from April 1 to March 31). However, the profitability continues to be low owing to trading nature of business and high cost of traded goods. The interest coverage ratio continues to be stable at 1.16 in FY17 (1.15 in FY16). The company reported GCA of Rs.1.30 crore vis-à-vis debt repayment obligations of Rs.0.01 crore in FY17.

High overall gearing ratio: AIPL’s overall gearing ratio deteriorated further to 4.75x as on Mar 31, 2017 vis-a-vis 4.32x as on Mar 31, 2016. Total debt/GCA also deteriorated further to 94.76x in FY17 (80.59x in FY16) in view of high availing of debt and low level of GCA.

†Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications
Profitability susceptible to fluctuations in metal prices: Given the prices of traded goods are volatile in nature the profitability of the company is susceptible to sharp decline in traded goods prices.

Cyclicality in the metal industry: The steel industry is cyclical in nature as the demand for steel products is dependent on the fortune of state of the economy.

Key Rating Strengths

Long experience of the promoters in trading business: AIPL is promoted by Kolkata-based Agarwal family. Mr. Amit Agarwal, has more than a decade of experience in trading of steel and steel related products. He looks after the day-to-day affairs of the company along with a support of Mr. Sunil Almal and by a team of qualified personals to look after the day-to-day operations of the company.

Long & established relationship with TATA Steel Limited (TSL) with exclusive distributorship for CR coils & HR coils in West Bengal: AIPL is an exclusive authorized dealer of TSL for HR coils and CR coils in West Bengal. AIPL has been associated with TATA Steel Ltd. for the past 30 years and doing exclusive business with TATA Steel Ltd. for the past 20 years.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by Issuer
Criteria on assigning Outlook to Credit Rating
CARE’s Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology – Wholesale Trading

About the Company

AIPL, incorporated in 2002, is promoted by Mr. Amit Agarwal (Executive Promoter-Director). AIPL is the exclusive authorised distributor of HR coil & CR coil of Tata Steel Ltd. in West Bengal. AIPL was merged with S K Industrial Corporation (proprietorship firm set up in 1974 by Late Mr S K Agarwal) in 2005, which was also in the same line of business. In FY17, AIPL reported a PAT of Rs.1.12 crore on a total operating income of Rs.327.63 crore vis-à-vis PAT of Rs.1.17 crore on a total operating income of Rs.321.33 crore. In H1FY18 (Prov.), AIPL reported PBT of Rs.1.01 crore on a total operating income of Rs. 180.56 crore.

Status of non-cooperation with previous CRA:

- CRISIL has suspended its rating vide press release dated December 06, 2016 on account of non-co-operation by Amit Iron Private Limited with CRISIL’s efforts to undertake a review of the outstanding ratings.
- ICRA has suspended its rating vide press release dated February 24, 2015 on account of non-co-operation by Amit Iron Private Limited with ICRA’s efforts to undertake a review of the outstanding ratings.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/ regulators or others are welcome to write to care@careratings.com for any clarifications.

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com**
About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issue</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
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</thead>
<tbody>
<tr>
<td>Fund-based - LT-Cash Credit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10.00</td>
<td>CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information</td>
</tr>
<tr>
<td>Fund-based - LT-Vendor financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15.00</td>
<td>CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information</td>
</tr>
</tbody>
</table>

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Type</th>
<th>Amount Outstanding (Rs. crore)</th>
<th>Current Ratings</th>
<th>Rating history</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fund-based - LT-Cash Credit</td>
<td>LT</td>
<td>10.00</td>
<td>CARE BB-; Stable; ISSUER NOT COOPERATING*</td>
<td>Date(s) &amp; Rating(s) assigned in 2017-2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Date(s) &amp; Rating(s) assigned in 2016-2017</td>
<td>Date(s) &amp; Rating(s) assigned in 2015-2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Date(s) &amp; Rating(s) assigned in 2014-2015</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Fund-based - LT-Vendor financing</td>
<td>LT</td>
<td>15.00</td>
<td>CARE BB-; Stable; ISSUER NOT COOPERATING*</td>
<td>Date(s) &amp; Rating(s) assigned in 2017-2018</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td>Date(s) &amp; Rating(s) assigned in 2016-2017</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Date(s) &amp; Rating(s) assigned in 2014-2015</td>
<td></td>
</tr>
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*Issuer did not cooperate; Based on best available information
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