Electro International Company Private Limited
December 01, 2022

Ratings

Facilities	Amount (₹ crore)	Ratings	Rating Action
Long Term Bank Facilities	6.10	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	5.90	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**12.00 (₹ Twelve Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Electro International Company Private Limited (EICPL) to monitor the rating(s) vide e-mail communications dated May 17, 2022, and November 18, 2022, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating based on the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, EICPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on EICPL's bank facilities will now be denoted as **CARE B+/CARE A4; 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(s).
The ratings have been revised and moved to ISSUER NOT COOPERATING category on account of lack of availability of adequate information.

Detailed description of the key rating drivers

At the time of last rating on September 23, 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operations with low profit margins

The total operating income has moderated marginally during FY21 due to low revenue booked from export. The company has booked a revenue of around 30% of total sales from exports activities in FY21 as against 58% in FY20. The overall scale of operations of the company remained small marked by total operating income of Rs.56.76 crore in FY21. The company has booked a turnover of Rs.46.64 crore during 5MFY22. The profit margins remained low marked by PBILDT margin of 1.30% (1.81% in FY20) and PAT margin of 0.45% (0.55% in FY20) in FY21. Further, PBILDT margins moderated in FY21 owing to cessation of export incentives which contributed to bulk of margins until FY20. Furthermore, the tangible net worth also remained low at Rs.3.12 crore as on March 31, 2021. The small scale restricts the financial flexibility of the company in times of stress and it suffers on account of lack of economies of scale.

Exposure to geo-political and geographical concentration risk

EICPL earned revenue of around 30% from exports markets during FY21 as against 58% in FY21. The major export destinations for the company are UAE, Sri Lanka, Spain, Saudi Arabia, South Africa, Malaysia etc. Thus, the company is exposed to geographical concentration risk. It is to be noted, for any kind of geopolitical crises, dependency on a few regions in the world may hamper the revenue stream of the company.

Moderate capital structure and debt coverage indicators

The debt profile of the company comprises of working capital bank borrowings and unsecured loans for last two years (FY20-FY21). Due to higher utilization of bank barrowings as on account closing date; the overall gearing ratio has deteriorated to 1.26x as on March 31, 2021 as against 0.75x as on March 31, 2020. The debt coverage indicators remained moderate marked by interest coverage ratio of 1.97x (1.81x in FY20) and total debt to GCA of 14.31x (6.00x in FY20) in FY21. Deterioration in

TD/GCA was due to lower generation of cash accruals along with higher utilization of fund-based limits as on account closing date.

Intensely competitive industry

Ferro alloys trading industry is a very fragmented and competitive space with presence of large number of small players operating in the same region due to low capital requirement. In such a competitive scenario smaller company like EICPL in general are more vulnerable on account of its limited pricing flexibility

Key Rating Strengths

Experienced promoters and long track record of operation

EICPL started its operations from 1996 and accordingly it has long operational track record. Being in the industry since long, the company has established satisfactory relationship with its customer and suppliers. The key promoter Mr. Prashant Musaddi has around two decades of experience in this line of business, looks after the day to day operations of the company. He is supported by promoters Mr. Piyush Musaddi and Mr. Vikash Agarwal.

Industry outlook

The company mainly trades into manganese based ferro alloys and the demand for ferro alloys is directly linked with demand for steel. The steel industry continues to witness steady growth, and in FY22, domestic crude steel production is expected to reach 112-114 million tonnes, which would be a growth of 9%-11% y-o-y. CARE Ratings expects the domestic steel demand to grow at a compounded annual growth rate (CAGR) of about 7.5% during the next 2-3 years. Steel demand will be supported by economic recovery, government spending on infrastructure, revival in capex cycle and enhanced liquidity. The Union Budget for 2021- 2022 has a sharp 34.5% y-o-y increase in allocation for capex at 5.54 lakh crore. The budget's thrust is on infrastructure creation and manufacturing to propel the economy. Therefore, enhanced outlays for key sectors like defence services, railways, and roads, transport and highways would provide impetus to steel consumption.

Liquidity: Not Applicable

Analytical approach: Standalone

Applicable criteria

Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Policy on Withdrawal of Ratings
Rating Outlook and Credit Watch
Short Term Instruments
Wholesale Trading

About the company

Kolkata based Electro International Company Private Limited (EICPL) was set up as a partnership firm, 'Electro International Company' in the year 1996 to initiate a trading and export business. However, it was converted into private limited company in April 2012 and the name changed to the current name (EICPL). The company is a merchant trader and it deals in ferro alloys, coal, ceramic products etc. The company mainly is into export business and the major export destinations are UAE, Sri Lanka, Spain, Saudi Arabia, South Africa, Malaysia, Latin America etc. The company derived around 30% of its total revenue from export activities and rest from domestic market during FY21.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)/ H1FY23
Total operating income	57.75	56.76	NA
PBILDT	1.05	0.68	NA
PAT	0.32	0.09	NA
Overall gearing (times)	0.88	1.34	NA
Interest coverage (times)	1.81	1.55	NA

A: Audited NA: Not available

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	2.10	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-EPC/PSC		-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	5.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Forward Contract		-	-	-	0.90	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	2.10	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (23-Sep-21)	1)CARE BB-; Stable (19-Nov-20)	1)CARE BB-; Stable (22-Oct-19)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	5.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Sep-21)	1)CARE A4 (19-Nov-20)	1)CARE A4 (22-Oct-19)
3	Fund-based - LT-EPC/PSC	LT	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (23-Sep-21)	1)CARE BB-; Stable (19-Nov-20)	1)CARE BB-; Stable (22-Oct-19)
4	Non-fund-based - ST-Forward Contract	ST	0.90	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Sep-21)	1)CARE A4 (19-Nov-20)	1)CARE A4 (22-Oct-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated facilities: Nil

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-EPC/PSC	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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