

East India Holdings Private Limited

April 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	64.50 (Enhanced from 40.00)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of East India Holdings Private Limited (EIHPL) is constrained by its moderate financial performance over the years, moderation in capacity utilisation in last three years, customer concentration risk, intense competition due to cyclical and fragmented nature of the industry, volatility in prices of raw material & finished goods and project implementation and stabilization risk.

The constraints are, however, offset by experienced promoters having long track record of operations and comfortable capital structure and satisfactory debt protection metrics.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Increase in scale of operations with sustained increase in operating margin above 4% on a sustained basis.
- Successful completion and ramping up of the ongoing capex leading to overall capacity utilisation above 50% for both the units.

Negative Factors:

- Decline in scale of operation below Rs.280 crore with decline in PBILDT margin below 1%.
- Moderation in TDGCA above 5x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Care Ratings Limited believes that the entity shall sustain its moderate financial risk profile over the medium term.

Detailed description of the key rating drivers

Key weaknesses

Moderate financial performance over the years

The total operating income of the company has grown at a CAGR of around 7.79% during FY20-FY23 to Rs.308.17 crore in FY23. The growth is on account of increase in realisation. The PBILDT margin witnessed improvement from 1.00% in FY21 to 1.65% in FY23 on account of higher realisation. PAT margin also witnessed improvement from 0.23% in FY21 to 0.38% in FY23. The company earned GCA of Rs.4.22 crore against negligible debt repayment obligation in FY23.

Moderation in capacity utilization in the last three fiscal years

Capacity utilization (CU) of the company declined y-o-y to 67% in FY23 from 87% in FY21. The same further reduced to 61% in 10MFY24. The decline in utilisation is due to that in FY21, the company was engaged in mild steel billet for which demand was higher as compared to alloy steel billet which the company started manufacturing from FY22. Though, the capacity utilization is declining; the profitability margins are stable as there is higher realization in manufacturing alloy steel billets.

Customer concentration risk

The company has a concentrated customer profile with top 10 customers' accounting for around 75% of total sales of the company in FY23 and 9MFY24.

Volatility in prices of raw material & finished goods

EIPL does not have any backward integration for its basic raw materials (i.e. pig iron/ sponge iron/scrap) and purchases the same from open market. Around 60% of the raw materials (pig and sponge iron) are sourced from Durgapur, 30% from Odisha and rest 10% from Jharkhand. Scrap steel is procured from local suppliers in West Bengal itself, some are also imported from Japan and Germany. Since the raw material is the major cost driver (around 80% of the cost of sales in FY23 as against 83% in FY22) and raw material prices are volatile in nature, the profitability margin of the company is susceptible to fluctuation in raw material prices.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Intense competition due to cyclical and fragmented nature of the industry

The company is engaged in the manufacturing of billets which is primarily dominated by large players and characterized by high fragmentation and competition due to the presence of numerous players in India owing to relatively low entry barriers. Highly competitive pressure limits the pricing flexibility of the industry participants which induces pressure on profitability.

Project implementation and stabilization risk

The company is undertaking capex to set up rolling mill for manufacturing of mild steel, carbon steel, alloy steel and stainless-steel bars, rods, strips, structural and other light profiles as a part of forward integration in their plant situated in Durgapur, West Bengal. The capacity is estimated to be around 60,000 MT and the operations will commence from April 2024.

The total cost of the project is around Rs.34.50 crore out of which Rs.23.50 crore will be funded via term loan and the rest Rs.11 crore will be brought in by the promoters. Term loan amounting to Rs.20 crore has been disbursed and around Rs.32 crore has been invested over the project till March 27, 2024.

The successful implementation and ramping up of the capacity shall remain key rating monitorable.

Key strengths

Experienced promoters having long track record of operations

Incorporated in 1998, East India Holdings Private Limited (EIHPL) is a Kolkata based company promoted by Mr Rajeev Agarwal and Mr Om Prakash Agarwal. The promoters are actively involved in managing the company. Mr. Rajeev Agarwal having more than 30 years of experience in the similar line of business looks after the purchase and manufacturing part of the business, while Mr. Om Prakash Agarwal having experience of more than 30 years in the similar line looks after the administration and finance division. Mr. Swaraj Agarwal has recently joined the business and has around 2 years of experience. He oversees the marketing and sales side of the business. They are assisted by a team of professionals in the business.

Comfortable capital structure and satisfactory debt protection metrics

The capital structure of the company is comfortable over the years with overall gearing ratio of 0.45x as on March 31, 2023 (0.16x as on March 31, 2021). The moderation in overall gearing over the years is on account of increase in working capital borrowings. The debt protection metrics stood satisfactory with TD/GCA of 2.64x as on March 31, 2023, vis-à-vis 1.55x as on March 31, 2021. PBILDT interest coverage ratio witnessed improvement from 4.99x in FY21 to 5.07x in FY23. Going forward, moderation in capital structure is expected with company undertaking debt laden capex.

Liquidity: Adequate

The liquidity position of the company is adequate backed by cash accruals of Rs.4.22 crore against debt repayment obligation of around Rs.0.20 crore in FY23. The fund based working capital utilization stands low at around 23% during the last 7 months period ending February 2024. Current ratio is comfortable at 1.33x as on March 31, 2023. The free cash & bank balance stood satisfactory at Rs.6.56 crore as on March 31, 2023.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Incorporated in 1998, East India Holdings Private Limited (EIHPL) is a Kolkata based company promoted by Mr Rajeev Agarwal and Mr Om Prakash Agarwal, having its billets manufacturing unit in Ichhapur Industrial Area, Durgapur, West Bengal with an installed capacity of 84,000 MT. Since its inception, the company is engaged in manufacturing mild steel billets till FY21, post which the company entered into manufacturing of alloy steel billets which is a raw material used in automobile and railway industry.

The company is currently undertaking setting up of 60,000 MT rolling mill as a part of forward integration, for manufacturing of mild steel, carbon steel, alloy steel and stainless-steel bars, rods, strips, structural and other light profiles (squares, hexagons, etc). The operation is expected to start in April 2024.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	272.02	308.17	190.31
PBILDT	2.11	5.07	NA
PAT	1.21	1.17	NA
Overall gearing (times)	0.34	0.45	NA
Interest coverage (times)	3.24	5.07	NA

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Guarantee		-	-	-	10.00	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	31.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	July 2030	23.50	CARE BB+; Stable

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Bank Guarantee	LT	10.00	CARE BB+; Stable	1)CARE BB+; Stable (08-Apr-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	23.50	CARE BB+; Stable	1)CARE BB+; Stable (08-Apr-24)	-	-	-
3	Fund-based - LT-Cash Credit	LT	31.00	CARE BB+; Stable	1)CARE BB+; Stable (08-Apr-24)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Guarantee	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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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