East India Holdings Private Limited

April 07, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	62.75 (Reduced from 64.50)	CARE BB+; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of East India Holdings Private Limited (EIHPL) continues to remain constrained by its moderate capacity utilisation in FY24 (refers to the period April 1 to March 31) with slight improvement witnessed in 10MFY25, leveraged capital structure and weak debt protection metrics, customer concentration risk, volatility in prices of raw material & finished goods and intense competition due to cyclical and fragmented nature of the industry. The ratings further take note of the project implementation and stabilisation risk wherein the company has already commenced 45,000 MTPA rolling mill plant in July 2024 and balance 15,000 MTPA is expected to be operational from April 2025.

The above constraints are, however, offset by its experienced promoters having long track record of operations and improvement in financial performance in 10MFY25 after witnessing moderation in FY24.

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 TD/PBILDT above 6x 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 key rating drivers:

Key weaknesses

Moderate capacity utilization in FY24 with slight improvement witnessed in 10MFY25

Capacity utilization (CU) of the company declined to 59% in FY24 as against 67% in FY23. The decline is on account of lower demand for billets. However, with demand picking up in 10MFY25, the capacity utilisation improved and stood at around 67% (61% in 10MFY24). The rolling mill has recently commenced operations and its CU stands at 22% in 10MFY25 (plant commenced from July 2024).

Leveraged capital structure and weak debt protection metrics

The entity's capital structure stood leveraged, as marked by adjusted overall gearing of 1.04x as on March 31, 2024 (0.45x as on March 31, 2023) due to increase in debt. The adjusted net worth takes into account the unsecured loan of Rs.6.15 crore which has been considered as quasi equity in FY24. This increase in debt was attributed to debt-funded capital expenditures and an increase in working capital borrowings. Debt protection metric stood weak marked by moderation in TDGCA which stood at 18.73x as on March 31, 2024 as against 2.64x as on March 31, 2023. The same is expected to improve going forward with expected increase in GCA. Additionally, interest coverage also witnessed moderation and stood at 2x in FY24 as against 5.07x in FY23.

Customer concentration risk

The customer profile of the company is concentrated as the top 10 customers' accounts for around 95% of total sales in FY24. However, in 10MFY25, top 10 customers' accounts for around 48% (around 75% in 9MFY24). The reduction is due to launch of new product line (rolling mill) which is being sold to a new customer base.

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

Volatility in prices of raw material & finished goods
Till FY24, the company was only operating a billet plant and did not have any backward integration for its basic raw materials (i.e. pig iron/ sponge iron/scrap) and purchased the same from open market. In FY25, the company has started its rolling mill unit and billet shall act as a backward integration unit for the rolling mill. However, company continues to lack any backward integration for its basic raw materials (i.e. pig iron/ sponge iron/scrap). 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 (constituting around 5%-15%). Since the raw material is the major cost driver (around 78% of the cost of sales in FY24 as against 80% in FY23) and raw material prices are volatile in nature, the profitability margin of the company is susceptible to fluctuation in raw material prices.

Intense competition due to cyclical and fragmented nature of the industry
The company is engaged in the manufacturing of billets along with milling operations 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 undertook 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 was estimated to be around 60,000 MT and the operations were supposed to commence from April 2024. The plant's setup experienced delays primarily due to demand and automation related factors. A section of the rolling mill, with a capacity of 45,000 MT, commenced commercial production in July 2024. The remaining section, with a capacity of 15,000 MT, is scheduled to begin commercial production in April 2025. The automation upgrades have resulted in a cost increase of approximately Rs. 4-6 crores, which is being funded by the promoters.

Key strengths

Experienced promoters having long track record of operations
Incorporated in 1998, EIHPL is a Kolkata based company promoted by Rajeev Agarwal and Om Prakash Agarwal. The promoters are actively involved in managing the company. Rajeev Agarwal having more than 3 decades of experience in the similar line of business looks after the purchase and manufacturing part of the business, while Om Prakash Agarwal having experience of more than 3 decades in the similar line looks after the administration and finance division. Swaraj Agarwal has recently joined the business and has around 3 years of experience. He oversees the marketing and sales side of the business. They are assisted by a team of professionals in the business.

Improvement in financial performance in 10MFY25 after witnessing moderation in FY24
Total operating income (TOI) moderated by around 21% to Rs.241.93 crore in FY24 from around Rs.308 crore in FY23 on account of subdued demand and muted sales realisation. Consequently, PBILDT margin declined to 1.39% in FY24 from 1.65% in FY23. Additionally, due to an increase in interest cost, PAT reduced to Rs.0.35 crore in FY24, reducing from Rs.1.17 crore in FY23. As a result, the PAT margin also decreased to 0.35% in FY24 compared to 1.17% in FY23.
In 10MFY25, both TOI and PBILDT witnessed improvement compared to FY24 with company earning TOI of Rs.215.30 crore and PBILDT of Rs.7.54 crore (PBILDT margin of 3.50%). The margins improved due to the commencement of the operations of the milling plant.

Liquidity: Stretched

The liquidity position of the company is stretched marked by low cash accruals of Rs.1.74 crore against debt repayment obligation of around Rs.0.06 crore in FY24. In FY25, the company has increased debt repayment obligation of Rs.3.72 crore against which it is expected to generate sufficient cash accruals. The fund based working capital utilization stood low at around 31.27% during the last 12 months period ending January 2025. Current ratio is satisfactory at 1.04x as on March 31, 2024. The free cash & bank balance stood satisfactory at Rs.1.70 crore as on March 31, 2024.

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

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Incorporated in 1998, EIHPL is a Kolkata based company having its billets manufacturing unit in Icchapur Industrial Area, Durgapur, West Bengal with an installed capacity of 84,000 MT. Since its inception the company was engaged in manufacturing mild steel billets till FY21, however, post that they have entered into manufacturing of alloy steel billets which is a raw material used in Automobile and Railway Industry. From July 2024, the company has started its rolling mill operation for manufacturing of Mild steel, Carbon steel, Alloy steel and Stainless-steel Bars, Rods, Strips, Structural and other light profiles (squares, hexagons, etc). Currently a section of rolling having a capacity of 45,000 MT is operational and another section of 15,000 MT will be operational from April 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25(UA)
Total operating income	308.17	241.93	215.30
PBILDT	5.07	3.37	7.54
PAT	1.17	0.35	0.63
Overall gearing (times)	0.45	1.04	NA
Interest coverage (times)	5.07	2.00	2.53

A: Audited; UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and 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		-	-	February 2031	21.75	CARE BB+; Stable

Annexure-2: Rating history for 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 (18-Apr-24) 2)CARE BB+; Stable (08-Apr-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	21.75	CARE BB+; Stable	1)CARE BB+; Stable (18-Apr-24) 2)CARE BB+; Stable (08-Apr-24)	-	-	-
3	Fund-based - LT-Cash Credit	LT	31.00	CARE BB+; Stable	1)CARE BB+; Stable (18-Apr-24) 2)CARE BB+; Stable (08-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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