

Rating Rationale

Brickwork Ratings Reaffirms the long term rating of ‘BWR B+’ & assigns Short term rating of ‘BWR A4’ for the enhanced Bank Loan Facilities aggregating ₹ 8.25 Cr of Esh Ispat Private Limited.

Brickwork Ratings has reaffirmed the long term **Ratings¹** of BWR B+ and assigned short term Rating of BWR A4 for the enhanced bank loan facilities aggregating to Rs8.25 Cr Esh Ispat Private Limited (EIPL or the Company’).

Facility	Present Limits (₹ Cr)	Previous Limits (₹ Cr)	Tenure	Rating History (March 2015)	Present Ratings
Fund Based					
Cash Credit	3.00	3.00	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook - Stable)	BWR B+ (Pronounced as BWR B Plus) (Outlook – Stable) (Reaffirmed)
Term Loan	4.59	4.80			
Non Fund Based Letter of Credit	0.66	–	Short Term	–	BWR A4 (Pronounced as BWR A Four)
Total Limits	8.25	7.80	INR Eight Crores and Twenty Five Lakhs only		

* Term loan outstanding as of June 30, 2016

EIPL, being a new Company, commenced business operation in November 2015. BWR has principally relied upon audited financials of FY15, Provisional Financials of FY16 and projected financials of FY17 and FY18 of Esh Ispat Private Limited and publicly available information and information/clarification provided by the management.

The rating draws strength from the strong industry experience of the management, the locational advantage of plant being located in Bokaro (Jharkhand) and the capital infusion in to the business to meet the growing business needs. The rating is however constrained by the limited track record of the Company, delay in commencement in commercial operations and susceptibility of the profitability to volatility in raw material prices and intense competition in the sector.

Background:

Esh Ispat Private Limited previously known as Maa Tara Sponge and Power Private Limited is a Private Limited Company incorporated in the year 2009.

The registered office of the Company is located at Kolkata (WB) and the plant is being set up at Bokaro (Jharkhand) to manufacture Mild Steel Ingots.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Business Operations:

The Company started the Commercial operation of the unit in November 2015 slightly delayed than the originally planned July 2015.

The Company has set up the operating unit with one furnace of 6 MT capacity which facilitates up to 6 to 8 heats per day.

The Company started with initial installed capacity of 18000 MT per annum. In the year FY16 due to slight delays in the commercial operations the capacity utilisation was 4000 MT for FY16 which is 22 Percent capacity utilisation and for FY17 the Company expects to operate at ~90 Percent Capacity.

EIPL procures the raw materials such as Sponge Iron, Pig Iron and Mild Steel Scrap Locally and makes Sales in the States of Jharkhand, Bihar, Uttar Pradesh and Punjab.

Financial Performance:

The Financial particulars are as per the Provisional results of FY16. For the FY16 being the first year of operation, on provisional basis EIPL has achieved Net Sales of Rs. 14.24 Cr and made operational loss of Rs.(0.64) Cr but however with adequate Capital infusion Networth has improved to Rs.5.24 Cr, and Total Debt/TNW is 1.56 times as of FY16.

The Debt Protection metrics as reflected under DSCR and ISCR are at a lower level 0.17 times and 0.18 times respectively for FY16.

For the FY17 the Company expects to achieve revenue of Rs. 35.31 Crs with full- fledged operations.

Rating Outlook:

The outlook is expected to be stable over the year. The ability of the Company to successfully operate and stabilise its operations and generate adequate cash accruals to meet the debt obligations and achieve projected revenue and profitability are the key rating sensitivities.

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