

## Indian Steel Corporation Limited

August 31, 2018

### Summary of rated instruments

Instrument*	Previous rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	793.61	793.61	Reaffirmed at [ICRA]D
Fund-based Limits	205.36	205.36	Reaffirmed at [ICRA]D
Non-fund-based Limits	1,046.82	1,046.82	Reaffirmed at [ICRA]D
Unallocated	474.74	474.74	Reaffirmed at [ICRA]D
<b>Total</b>	<b>2,520.53</b>	<b>2,520.53</b>	

\* Instrument details are given in annexure 1

### Rating action

ICRA has reaffirmed the long-term and short-term rating of [ICRA]D (pronounced ICRA D) for Rs. 2,520.53-crore<sup>1</sup> bank limits of Indian Steel Corporation Limited (ISCL) †.

### Rationale

The rating reaffirmation factors in the continued delays in debt servicing, overdraw of fund-based (FB) limits and instances of devolvement of letters of credit (LC) over the last two to three years on account of ISCL's stretched liquidity profile. Given the weak market conditions, it has reported a decline in its turnover over the last three years along with significant losses. In addition, the company has been facing working capital funding constraints, which have further limited its scale of operations. Further, the conversion of devolved LCs into FB limits has resulted in higher working capital borrowings and increase in overall debt. Moreover, continued losses at net level have resulted in a negative net worth, which coupled with increased debt has deteriorated ISCL's leverage profile. The rating also continues to factor in the competitive nature of the steel industry, which limits the pricing flexibility of industry participants, including ISCL, and adversely impacts the profitability of the same. The company's profitability also remains exposed to foreign exchange risk, given the significant level of raw material imports.

However, ICRA takes note of the extensive experience of ISCL's promoters and the company's established operational track record in the steel industry. It has a wide customer base, which includes reputed players of the auto and white goods sectors. ICRA also takes into account the management support and technical assistance available to ISCL from Mitsui & Co. Limited, Japan.

### Outlook: Not applicable

<sup>1</sup> 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's Website, [www.icra.in](http://www.icra.in), or any of the ICRA Rating Publications.

## Key rating drivers

### Credit strengths

- **Established track record** – The company started commercial operations in 2004 and has an established track record of operations in the industry. Moreover, the promoters have even longer experience (more than 20 years) in the steel industry, which has helped the company establish a healthy customer base and strong dealer network.
- **Technical support from Mitsui** – The company was promoted by the Ruchi Group of Industries, India and Mitsui & Company, Japan in 2002. The Mitsui Group holds around 20% stake in the company and provides technical know-how and assistance in international trade (procurement and sales) to the company.

### Credit weaknesses

- **Vulnerability of operations to cyclical downturn in steel industry economy** – Given the inherent cyclicity in the steel industry, the company witnesses high volatility in the demand for its products. This makes its revenue growth vulnerable to cyclical downturns.
- **Profitability remains exposed to fluctuations in raw material prices and competitive pressures** – Raw material costs constitute a significant proportion of ISCL's overall cost structure. Hot Rolled (HR) coil is the major raw material for the company and hence, its profitability remains exposed to adverse movements in steel prices. Further, the company faces competitive pressures from global players as well domestic peers.
- **Continuing delays in debt servicing** – Given the decline in turnover and stretched liquidity profile, the delays in debt servicing continue. Further, there are instances of overdraw of FB limits and devolvement of LC over the last few years.
- **Adverse leverage profile** – Over last few years company's debt has increased significantly with the conversion of devolved LCs into debt and addition of unpaid interest. Further, continuing losses have resulted in negative net worth for the company. Its coverage indicators have also deteriorated significantly over last few years.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

#### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Entities in the Ferrous Metals Industry](#)

## About the company

ISCL was jointly promoted by the Ruchi Group of Industries, India and Mitsui & Company, Japan in 2002. The company is involved in manufacturing cold rolled (CR) coils and sheets along with galvanised plain (GP), galvanised corrugated (GC) sheets and colour-coated galvanised sheets. The company has set up its manufacturing facilities at the Bhimasar village near Kandla port, Gandhidham (Gujarat) in close proximity to the Mundra port.

The company has an established operational track record in the steel industry, having commenced operations in 2004. Further, ISCL's promoters have a vast experience of over two decades in the steel manufacturing industry.

For the full year, ISCL reported a net loss of Rs. 84 crore in FY2018 on an operating income (OI) of Rs. 1,245 crore (provisional financials) against net loss of Rs. 198 crore on an OI of Rs. 1,533 crore in FY2017.

## Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	1,533	1,245
PAT (Rs. crore)	-198	-84
OPBDIT/OI (%)	2.7%	0.6%
RoCE (%)	-1.3%	2.4%
Total Debt/TNW (times)	-ve	-ve
Total Debt/OPBDIT (times)	39.91	-ve
Interest Coverage (times)	0.17	-ve

Source: ISCL's annual reports, ICRA research

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for last three years

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating Aug 2018	Date & Rating in FY2018 May 2017	Date & Rating in FY2017 June 2016	Date & Rating in FY2016 July 2015	
1	Term-Loans	Long-term	793.61	793.61	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]C
2	Fund-based Limits	Long-term	205.36	-	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]C
3	Non-fund-based Limits	Short-term	1,046.82	-	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]A4
4	Unallocated Limits	Short-term	474.74	-	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]C

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	Apr 2008		Mar 2020	135.44	[ICRA]D
NA	Term Loans	May 2008		Mar 2017	0.57	[ICRA]D
NA	Term Loans	Jul 2008	~13.05% - 14.65%	Mar 2018	30.32	[ICRA]D
NA	Term Loans	Jul 2008		Mar 2018	33.80	[ICRA]D
NA	Term Loans	Jul 2008		Mar 2018	23.39	[ICRA]D
NA	Term Loans	May 2008		Mar 2018	27.21	[ICRA]D
NA	Term Loans	July 2008		Mar 2018	20.20	[ICRA]D
NA	WCTL	Jan 2015		Mar 2022	315.01	[ICRA]D
NA	WCTL	Mar 2015		Mar 2022	92.74	[ICRA]D
NA	FITL	Jan 2015		Mar 2019	39.29	[ICRA]D
NA	FITL	Mar 2015		Mar 2019	10.48	[ICRA]D
NA	Corporate Loans	Jun 2015		Mar 2022	65.16	[ICRA]D
NA	Fund-based limits	-		-	205.36	[ICRA]D
NA	Non-fund-based limits	-		-	1,046.82	[ICRA]D
NA	Unallocated	-		-	474.74	[ICRA]D

Source: ISCL

## ANALYST CONTACTS

**Sabyasachi Majumdar**  
+91-124-4545304  
[Sabyasachi@icraindia.com](mailto:Sabyasachi@icraindia.com)

**Harsh Jagnani**  
+91-124-4545394  
[harshj@icraindia.com](mailto:harshj@icraindia.com)

**Sachin Sachdeva**  
+91-124-4545307  
[Sachin.sachdeva@icraindia.com](mailto:Sachin.sachdeva@icraindia.com)

## RELATIONSHIP CONTACT

**L Shiva Kumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents