# ANALYSIS OF 5 MAJOR FIRMS IN THE MANUFACTURING SECTOR OF EAST INDIA

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**ABSTRACT**

This project is a compilation of detailed analysis of the top 5 firms in the steel industry in East India. These firms are Berry Alloys Ltd., Electro Copper and Alloys mfg Co., Captain Steel India Ltd.,Hindusthan Engineering & Industries Ltd, Titagrah Rail System Ltd(formerly Titagarh Wagons Limited). This project shall analyse the profitability, strengths and weaknesses of each of these firms.

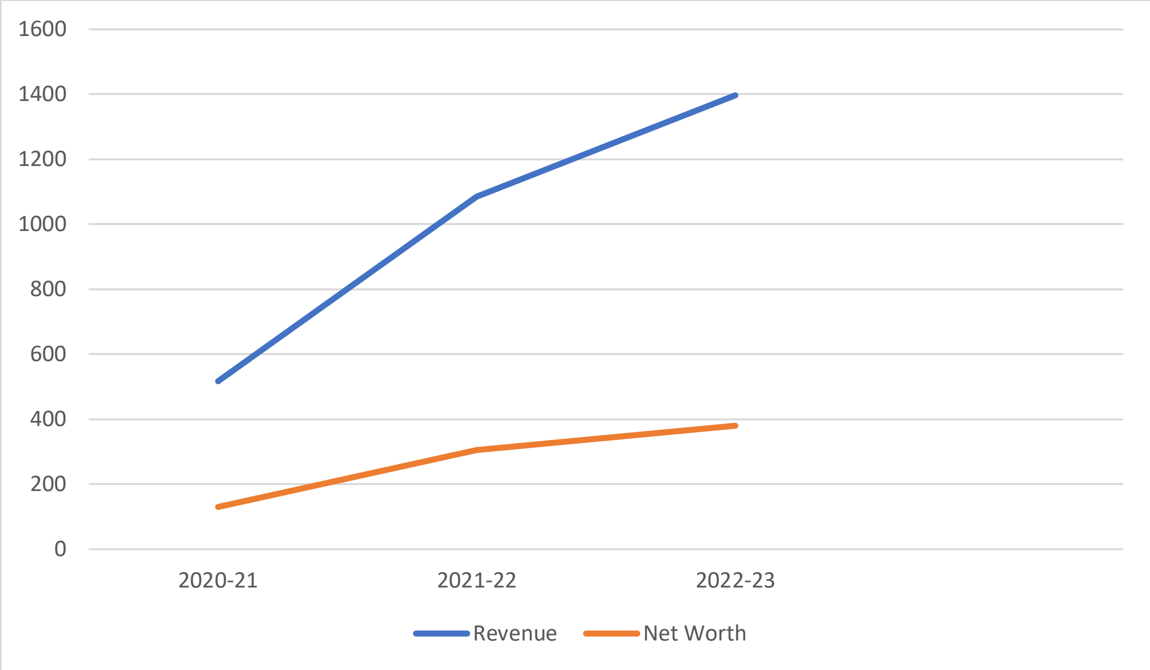
## PROJECT ANALYSIS

1. **Berry Alloys Ltd.**

   **Berry Alloys Limited** (BAL) is a limited company bearing Reg. No U27130WB2006PLC145016 and incorporated on 29.09.2006. The Registered office of the Company is 5B Shakespeare Court 21A, Shakespeare Sarani, Kolkata 700017. The Current External Credit rating is ICRA "A". The Promoter of the Company is Mr. Vijay Gupta.

   The factory is located at Plot No.368, APIIC Growth Centre, Bobbili, Dist. Vizianagaram, Andhra Pradesh. It is well connected by Road/ Rail to reach from/to anywhere in India. Being very close to the Vishakhapatnam Port, logistically it is very economical and viable for Export also. It has 9 x 9 MVA Submerged Arc Furnaces to produce Silico Manganese, Ferro Manganese & Ferro Silicon etc. within its setup. Recently they have added AOD plant. AOD means Argon Oxygen Decarburization. This technology reduces the carbon contain in the ferro manganese. The products which have low carbon fetches higher value in the market. It has a production capacity to produce 1,90,000 Tons of Ferro Alloys per Annum. Ferro alloys are alloying elements that enhance steel strength, durability, anti-stain, anti-corrosion properties. The major raw material is Manganese Ore. India does not have mines which produces high grade of manganese ore; therefore, the company is dependent on imports. Around 40% cost of the finished product is manganese ore and another 40% of the cost is incurred on Power. Balance 20% cost allocated to other raw material like Coal. Coke, Dolomite, Quartzite and consumable.

   Berry Alloys Ltd. is supplying to the leading corporate companies in India such as SAIL, RINL, Essar Steels Ltd., TISCO, TATA long products, JSW, JSPL etc. It has established a strong footprint in the global market by supplying quality products to the leading international customers from Thailand, Macedonia, Saudi Arabia, Australia, Afghanistan, UAE, Iran, Japan, Taiwan, Vietnam, Indonesia, Netherlands, Sri Lanka, etc.




From the analysis of the above data and the discussion had with Mr. Sanjay Mittal, Group financial Advisor, following conclusions were arrived

The Company has observed a growth of 30% in its revenue for FY 2022-23 in comparison to previous year 2021-22. The Net Worth of the company has also seen a growth of 25%. The company has maintained a consistent favourable Current Ratio of above 1.30 in previous years. Although there has been a reduction in Net Profit by 60% and EBIDTA margins by 15% as compared to previous year mainly due to rising cost of inputs and weak demand from Europe on account of Ukraine & Russia war.

The SWOT analysis of the company is as follows:

**Strength**

- Good Industrial Experience of the promoters
- Debt Free Status (No Term Loan)
- Large size of the Company.
- Current ratio maintained at healthy level of 1.35
- Near to Port saves the transportation cost, as 40% of raw materials are imported
- One PSU is located near to plant where offtake is more than 25%.

**Weakness**

- Huge investment in single location
- No backward integration in power plant
- No control in managing manganese ore prices as no linkage with mines

**Opportunities**

- India is poised to become 5 trillion, this will drive the demand growth
- There will be huge pent up demand once Russia – Ukraine war come to an end

**Threat**

- Any increase in power cost will further affect the profitability

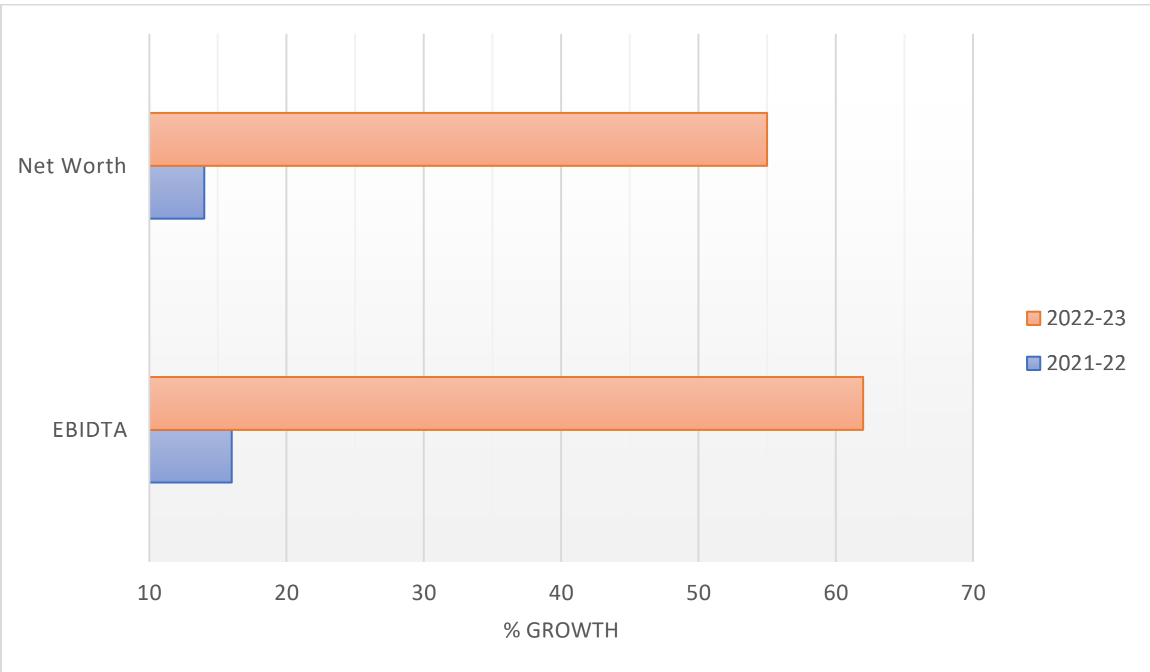
## 2. Electro Copper & Alloys Mfg. Co.

**Electro Copper & Alloys Mfg. Co. (ECA)** originated as partnership company in the year 1978. The firm was started by Mr. S G Rathi, Mr. B D Daga, and Mr. B K Kothari. Currently the firm is managed by the Generation next. The current partners are Mr. Om Prakash Rathi, Smt. Kamla devi Daga, Sri Amit Daga, and Sri Gourav Kothari. It office is situated at 36 strand Road Kolkata 700001. The firm operate from its two factories situated near to Kolkata.

Today they are leading designer, manufacturer, and erector for energy system of Chemical, Steel, and metal refining Industries. In any industry wherever there is an application of copper then ECA will customise the design and then fabricate product at their workshop. Usually, they are doing the job of machining of copper cake/bar as per the requirement of the clients. They mainly catered to following industries

- Steel Industry
- Ferro Alloys Industry
- Non Ferrous Industry
- Chemical Industry
- Electrical Industry

Apart from Machining Job they also provided services like drawing & designing. On site installation and supervision and Storage of Copper products.



From the above data and the discussion had with Mr Om Prakash Rathi following analysis can be sum up:

There has been decrease in topline in FY 21 by 34.57% as compared to FY 20, due to lockdown owing to Covid pandemic. However, in FY 22, there has been increase in topline 193.88% as compared to FY 21, growth is on account of as market has opened up there has been pent up demand from industries like Steel, Ferro Alloy, and other industries. In FY 23 also, the firm continued to give better performance as its topline increased by 35.14% as compared with topline of FY 2022. In FY 21, with lower production owing to continue lockdowns, there has been reduction in variable cost which result in increase in EBITDA margin. And FY 22, there has been increase in EBITDA in absolute terms, but EBITDA margin has decreased due to increase in scale of operations. However, the firm has arrested the downwards trends of EBITDA margin in FY 23 and posted margin of 11.86%. Total Net Worth (TNW) is increasing year on year primarily on account of plough back of earnings in business. Current Ratio was good in FY 2021 but in subsequent years it was satisfactory. The debt / equity ratio is showing declining trends which is highly positive for the firm. The firm is moving towards ZERO debt status.

**Strength**

- Good Industrial Experience of the promoters
- In Current financial year company is expecting Debt Free Status
- Net worth showing increasing trends in last three years
- Very few competitor in the market

**Weakness**

- No long term contract for the supply of copper
- They mostly cater the capital goods needs of the industry
- Firm's products offering is not regularly consumed by the industry

**Opportunities**

- India is poised to become 5 trillion, this will drive the demand growth
- There will be huge pent up demand once Russia – Ukraine war come to an end
- Fewer Competitor in the market

**Threat**

- The firm is exposed to price fluctuation of copper
- The firm is exposed to foreign exchange risk as they are importing copper

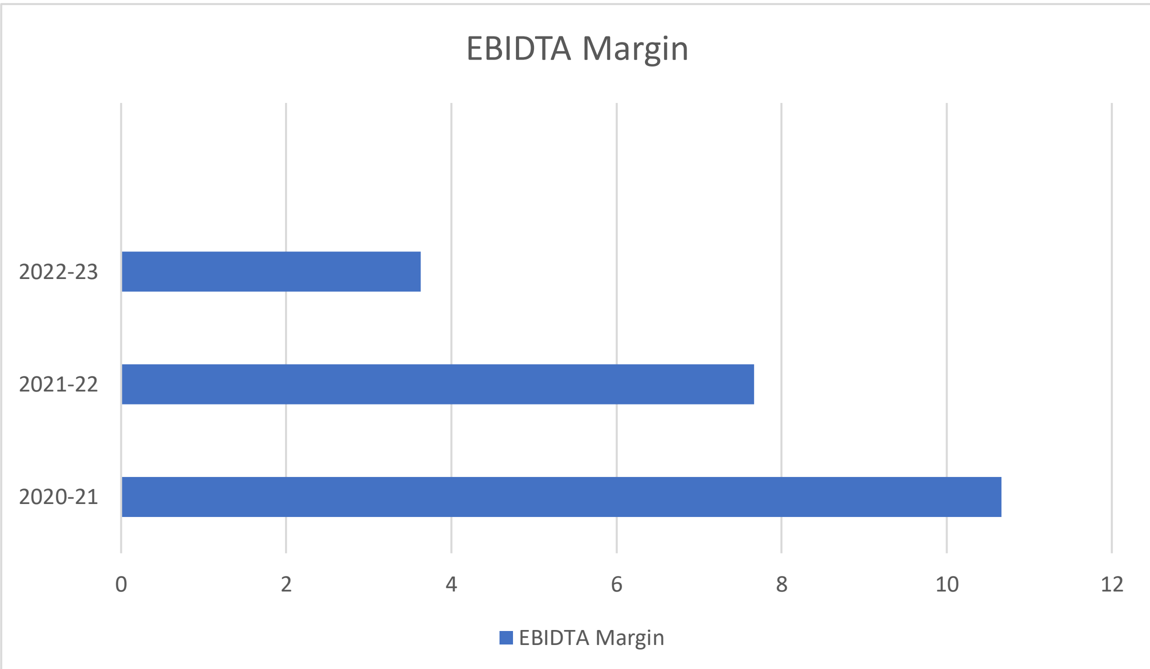
3. **Captain Steel India Ltd.**

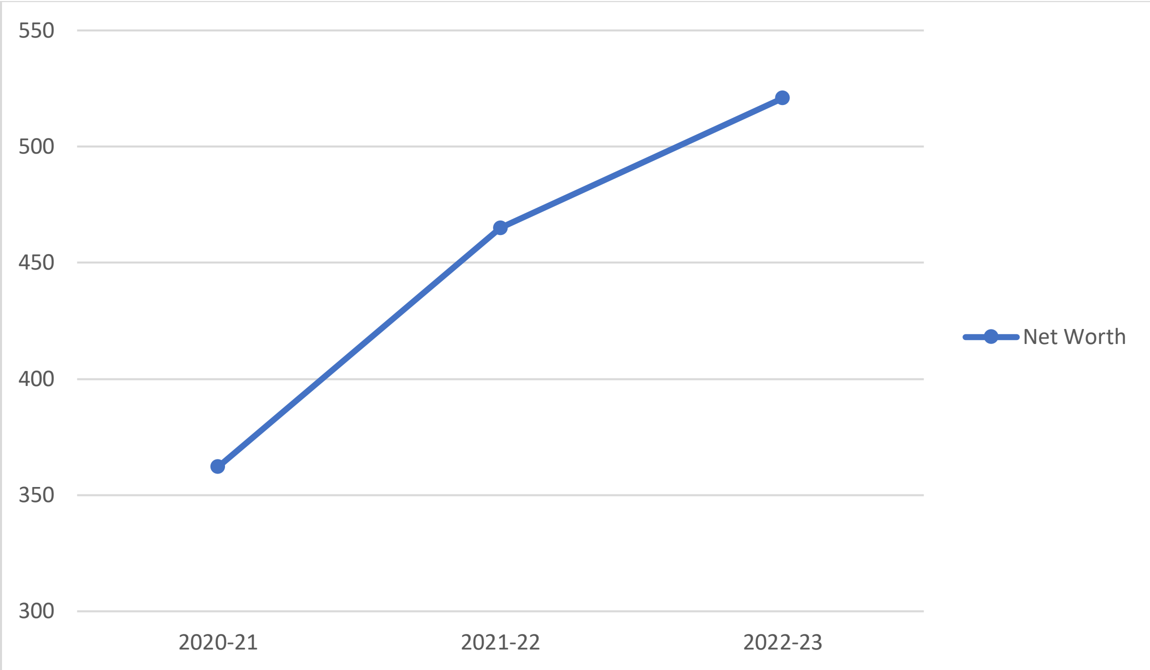
**Captain Steel India Limited** Bearing Registration Number U27109WB2003PLC097108 was incorporated on 13th October 2003. The company is one of the finest producers of premium steel bars. Regarded for its quality, its flagship product, Captain TMT bars, is a leading reconstruction steel brand and has a significant presence in the iron & steel industry, specially in the eastern part of the country. Captain Steel is in the business of production of MS Billets and Rolled products being TMT Bars, Wire & Nails.

The current rated capacity of the plant is 207360 MT of Billet and 249360 MT for rolled products including TMT rebars. The state of art production facilities are situated at Kalyaneswari, Asansol, West Bengal. The main highlight is Direct Charging of Hot Billets facility for conversion into TMT Bars. The steel produced are as per BIS guidelines grade Fe-600EQR. Captain Steel through job contract has additional access of rebar production capacity of 180500 MT at the production facilities set up in Patna.

The product is used in large constructions like industries, dams, bridges, highways, and other infrastructural projects. Captain TMT is regularly supplied to government bodies, public enterprises, and large developers. It is equally popular among individual house builders, retailers, and masons.

The company has been promoted by a Group of experience businessmen Mr. Avinash Agarwalla and Mr. Vijay Gupta. Operating in a highly competitive market, the TMT bars is sold through various retail distribution channels in the market. Moreover, TMT bars are a product for which the present market requires branding and extensive promotion. Therefore, going by the market requirement, the Company has hired the ex-Indian cricketer Sourav Ganguly as the brand ambassador.






From the above data and discussion with Mr. Manoj Kumar Chouhan, Chief Financial Officer of the company, it can be observed that the company is a debt free company. It has earned continuous profits in past years and has ploughed it back to run the business. In spite of being existent in a highly competitive market, the company has grown considerably over the years, which can be seen by the increasing trend of the net worth. For the year 2022-23 the company has seen marginal increase in revenue by 6%. Whereas, the EBIDTA has reduced by 42% as compared to previous year mainly due to rising cost of raw materials and arrear electricity dues. The company has been able to maintain an extremely healthy Current Ratio of above 3.20 in previous years. The Net Worth has grown by 12% in FY 2022-23 as compared to 28% in FY 2021-22.

The SWOT analysis of Captain Steel is as under:

**Strengths:**

- **External Rating**

ICRA has given Long term rating as “A+“/Stable and Short term rating as A1+ for its working capital needs in February’2023. The ratings are valid for the total borrowing program of Rs. 260 crore.

- **Debt Free Status**

The company does not have any term loan liability. As on date the company is enjoying a limit of Rs. 260 crores under consortium finance for its working capital needs.

**Weakness:**

- **Dependence on vendors for Raw Material**

The company does not have a fully integrated manufacturing plant. As a result, it needs to depend on external vendors for its raw materials. The raw material prices are highly volatile.

**Opportunities:**

- **Quality Goods and unexplored market**

The company has a brand name and produces quality products. The market is familiar with the name of the company. There is ample scope for the company to expand further into the unexplored market in other parts of the country.

**Threats:**

- **Premium product in highly competitive market**

The products are of premium quality. In a highly competitive market, it is sometimes difficult to fetch the expected price from the market.

## 4. HINDUSTHAN ENGINEERING & INDUSTIRES LTD

Hindusthan Engineering & Industries was incorporated in January 1998. It is involved in three business segments, viz., engineering products, jute, and chemicals. The company is engaged in manufacturing of wagons, steel castings, points & crossings, railway rolling stock, jute sacking and gas-based chemicals such as sodium cyanide, potassium cyanide, ammonium sulphate etc. The CIN No. of the company is U93000WB1998PLC086303.

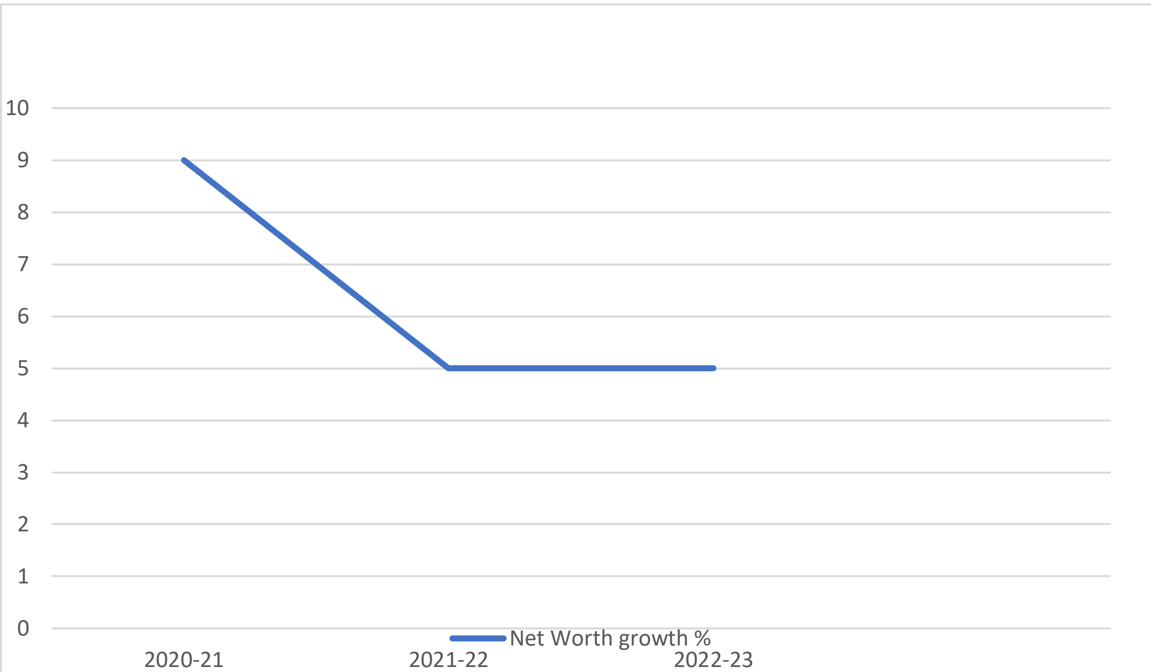
The group is headed by Shri Vikram Aditya Mody (Chairman).

The factories are located at

- Tiljala Plant. 38 Tiljala Road, Kolkata-700 039, West Bengal.
- Bamunari Plant. National Highway No 2, Bamunari-712 205, Dist.: Hooghly, West Bengal.
- Santragachi Plant. P.O.: Jagacha, Dist.: Howrah-711 104, West Bengal.
- Jute Plant and Chemical Plant is located at Rishra, Hooghly

Over the past years, HEIL has established its strong market position; for engineering products segment, it is one of India's largest wagon manufacturers with RDSO certified capacity of 4,800 wagons per annum. Its leadership position in the segment is also indicated in orders awarded for supply of 7,163 units in tender for supply of 90,000 units of wagons floated by the Indian Railways in fiscal 2023. Similarly, HEIL is the largest manufacturer of Sodium Cyanide in India and its production capacity of 6372 MTPA accounts for 32% market share. The Company is rated A (Stable) by CRISIL for its Corporate Debt Ratings

The growth graph of the Company is as follows:



From the above data and discussion with Mr. Vikram Aditya Mody, Chairman, it was observed that the company has a strong net worth of around Rs 1195 crore as on March 31, 2023, support capital structure yielding comfortable metrices, with gearing and low total outside liabilities to tangible net worth (TOL/TNW) estimated at 0.2 time and 0.5 time respectively for fiscal 2023. HEIL Registered 178% growth in revenue during the 5 year period beginning FY 2019. It's PAT suffered during pandemic and improved remarkably by 6.46% over previous year. Current Assets and Current Liabilities movement was in line with strong Current Ratio. Even in FY 2023 at 1.50 is above the benchmark level of 1.33.

**Strengths:**

- **Extensive industry experience of the management:** HEIL has emerged as multi-product company (engineering products, jute, and chemicals) and in operational for more than six decades.
- **Well-established market position, diversified business segments and end user industry base:** The group is involved in three business segments, viz., engineering products, jute, and chemicals. It is one of India's largest wagon manufacturers with RDSO certified capacity of 4,800 wagons per annum. Similarly, HEIL is the largest manufacturer of Sodium Cyanide in India and its production capacity of 6372 MTPA accounts for 32% market share.
- **Healthy order book providing revenue visibility:** The company has unexecuted orders – engineering division of around Rs 2700 crore as on March 31, 2023, from Indian Railways and private counterparty.

**Weaknesses:**

- **Exposure to risks associated with fluctuation in raw material prices, competition, and government regulations:** The key inputs for engineering products include steel and related products. While the Indian Railway projects generally have a long execution period and are covered by a price-variation clause to a large extent, private sector orders are generally fixed in nature. Hence, to an extent, HEIL is susceptible to fluctuations in steel prices

**Opportunities:**

- **Expansion of Railway Network:** The expansion plans of Railway is a major opportunity for the company as it is expected to receive orders.

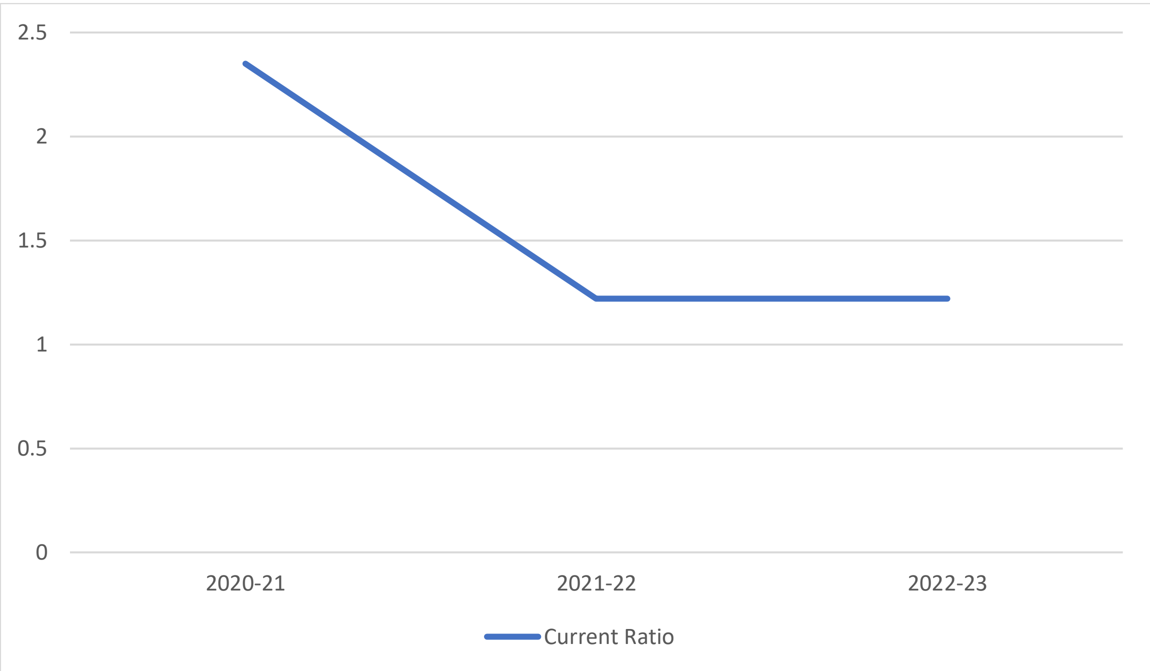
**Threats:**

- **Exposure to risks relating to fluctuation in raw material prices and competition:** The key inputs include steel and related products. While the IR projects generally have a long execution period and are covered by a price-variation clause to a large extent, private sector orders are generally fixed in nature. Hence, to an extent, TWL is susceptible to fluctuations in steel prices during the project execution period.

## 5. TITAGARH RAIL SYSTEMS LTD

TWL was set up in July 1997 by Mr Jagdish Prasad Chowdhary, Executive Chairman. It manufactures freight wagons, bailey bridges, heavy earth-moving and mining equipment, steel and spheroidal graphite iron castings, and other products. Operations are managed by Mr Umesh Chowdhary, Vice Chairman. The company has four manufacturing facilities: two in Titagarh and one in Uttar Para in West Bengal, and one in Bharatpur, Rajasthan. It has capacity to manufacture 8,400 wagons, 200 Metro coaches and 36 electric multiple unit coaches, and process around 30,000 tonne of casting steel, per annum. It also has capacity to manufacture bridges, shelters, propulsion equipment. Furthermore, it has a shipbuilding division, which delivered its first ship, a 1,000-tonne fuel tanker, to the Indian Navy in May 2018. It is rated for its Bank Loan Rating by CRISIL and is rated CRISIL A as on 06.03.2023.

The Current ratio graph of the Company is as follows:




From the above data and discussion with Mr. Umesh Chowdhary, Vice Chairman, following conclusions were arrived: Gearing is likely to increase to ~0.25 time as on March 31, 2023, from 0.12 time as on March 31, 2022, on account of increased working capital requirement. Titagarh Rail Systems registered growth in Revenue by 152% over a period of 5 years from 2019 to 2023, which included the pandemic period. Net Profit registered growth from Rs. (-) 55.30 as on 31.03.2019 to Rs.103.36 registering 286% growth. Movement of Current Assets and Current Liabilities was in tandem in the last two financial years ending 2023. However, Current Ratio registered improvement in FY 2020 and FY 2021 on higher build-up of Current Assets during pandemic period. There has been a growth of 11% in Net Worth for FY 2023.

**Strengths:**

- **Established market position**

TWL is one of India's largest wagon manufacturers, with a capacity of 8,400 wagons per annum. TWL has maintained its leadership position in the segment and accounted for 32% (24,177 wagons) of the orders awarded by IR in May 2022. Access to technical capability through foreign collaborations enhances the business risk profile. TWL is scaling up operations in the passenger train segment with its emergence as L2 bidder in Vande Bharat Trains order by IR.

- **Diversified revenue profile of domestic operations**

TWL received its first metro project order from Maharashtra Metro Rail Corporation Ltd for the Pune Metro project. TWL is well positioned to bid for large orders for other metro projects. In the freight wagon segment, too, TWL has improved its order book from the private sector to reduce dependence on Indian Railways

**Weaknesses:**

- **Working capital-intensive operations**

The large working capital requirement is due to sizeable inventory requirement (86 days as on March 31, 2022). The working capital requirement increased during the first nine months of fiscal 2023, driven by increased execution due to large orders from Indian Railways and Pune Metro

- **Dependence on Indian Railways to continue**

A large portion of revenue is currently derived from wagon orders received from IR. Although lack of steady orders has constrained the topline and operating performance of wagon manufacturers historically, the new order of 24,177 wagons and Vande Bharat order has enhanced revenue visibility for the next 3-4 years.

**Opportunities:**

- **Expansion of Railway Network:** The expansion plans of Railway is a major opportunity for the company as it is expected to receive orders.

**Threats:**

**Exposure to risks relating to fluctuation in raw material prices and competition:** The key inputs include steel and related products. While the IR projects generally have a long execution period and are covered by a price-variation clause to a large extent, private sector orders are generally fixed in nature. Hence, to an extent, TWL is susceptible to fluctuations in steel prices during the project execution period.