



SMERA RATINGS LIMITED

Ganesh Steel and Alloys Limited (GSAL)

Rating Rationale

July 30, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.00	SMERA BB/Stable (Assigned)
Bank Guarantee	2.55	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.9.55 crore bank facilities of Ganesh Steel and Alloys Limited (GSAL). The outlook is '**Stable**'.

The ratings derive comfort from the company's experienced management, consistent revenue growth coupled with stable profitability margin and moderate financial risk profile. However the ratings are constrained by the company's modest-scale and working capital-intensive operations. The ratings also note that the company's business is exposed to fluctuation in raw material prices and intense competition prevalent in the steel industry.

Outlook: Stable

SMERA believes that GSAL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company achieves significant improvement in revenues and profitability, without a corresponding deterioration in liquidity position and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's capital structure and liquidity.

About the firm

GSAL, incorporated in 1995, is a Kolkata-based company promoted by Mr. S. K. Nahata, Mr. N. M. Baid and Mr. N. K. Baid. GSAL is engaged in manufacturing of ingots. The company's manufacturing unit is located at Hooghly, West Bengal. GSAL has an installed capacity of 35000 metric tonnes per annum.

For FY2013-14, GSAL reported profit after tax (PAT) of Rs.0.63 crore on operating income of Rs.78.86 crore, as compared with PAT of Rs.0.52 crore on operating income of Rs.65.58 crore in the previous year. The company's net worth stood at Rs.11.34 crore as on March 31, 2014, as compared with Rs.10.71 crore a year earlier.

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