

Press Release

Ganesh Steel and Alloys Limited (GSAL)

March 06, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.55 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.9.55 crore bank facilities of Ganesh Steel & Alloys Limited (GSAL). Further, SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs.1.00 crore facility. The outlook is '**Stable**'

GSAL, incorporated in 1995, is engaged in the manufacture of ingots.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management: GSAL has been manufacturing ingots since two decades. Further, the management has been into commodity business for over four decades.

Healthy financial risk profile: The financial risk profile continues to be healthy in FY2015-16. The gearing remained stable at 0.51 times as on March 31, 2016 as against 0.50 times as on March 31, 2015. The interest coverage ratio (ICR) remained healthy at 4.11 times for FY2015-16 (2.81 times for FY2014-15). Additionally, TOL/TNW has been stable at 1.39 times as on March 31, 2016 (1.37 times as on March 31, 2015).

Weaknesses:

Uneven revenue: The revenue fell from Rs.64.68 cr in FY2014-15 to Rs.50.28 cr in FY2015-16 due to a temporary shutdown of its manufacturing facility for three months. Further, the company registered revenue of Rs.43.48 cr (Provisional) between April 2016 to September 2016.

Working capital-intensive operations: The working capital cycle of GSAL continues to be intensive with 87 days of working capital for FY2015-16 as compared to 64 days for FY2014-15.

Competitive and fragmented Industry: GSAL operates in a highly fragmented ingots industry. GSAL faces competition from large number of organised and unorganised players.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

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

About the Rated Entity

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

For FY2015–16, GSAL reported profit after tax (PAT) of Rs.0.70 cr on operating income of Rs.50.28 cr, as compared with PAT of Rs.0.59 cr on operating income of Rs.64.68 cr for FY2014–15. The networth of the company stood at Rs. 12.63 cr as on March 31, 2016 as compared to Rs. 11.86 cr as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument/ Facilities	FY 2017								FY 2016		FY 2015		FY 2014		
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.00	SMERA BB/Stable (Reaffirmed)	November 22, 2016	7.00	SMERA BB/Stable (Assigned)	July 28, 2016	7.00	SMERA BB/Stable (Suspended)	July 30, 2015	SMERA BB/ Stable (Assigned)	-	-	-	-
Bank Guarantee	ST	2.55	SMERA A4+ (Reaffirmed)	November 22, 2016	2.55	SMERA A4+ (Assigned)	July 28, 2016	2.55	SMERA A4+ (Suspended)	July 30, 2015	SMERA A4+ (Assigned)	-	-	-	-
Proposed Cash Credit	LT	1.00	SMERA BB/Stable (Assigned)	-	-	-	-	-	-	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/ Outlook
Cash Credit	N.A.	N.A.	N.A.	7.00	SMERA BB/Stable (Reaffirmed)
Proposed Cash Credit	N.A.	N.A.	N.A.	1.00	SMERA BB/Stable (Assigned)
Bank Guarantee	N.A.	N.A.	N.A.	2.55	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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