

Greta Steels Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA BB-/Stable (Assigned)
Letter of Credit	15.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the above mentioned bank facilities of Greta Steels Limited (GSL). The outlook is '**Stable**'.

The ratings derive comfort from the established track record of operations and experienced management, average financial risk profile and large scale of operations. However, the ratings are constrained by the stretched liquidity position and intense competition.

GSL trades in steel scrap, iron and coal. The Directors, Mr. Rajesh Kumar, Mr. Ajit Kumar, Mr. Praneet Kumar, Mr. Pradeep Kumar and others possess over two decades of experience in the steel, mining, energy and agro industry. The company has large scale of operations marked by operating income of Rs.253.83 crore in FY2015-16. The financial risk profile is average marked by interest coverage ratio of 1.40 times for FY2015-16, gearing of 2.56 times and net worth of Rs.9.43 crore as on 31st March 2016. The EBITDA margin has improved to 1.64 percent for FY2015-16 from 1.23 per cent in FY2014-15. However, the margins are thin on account of the trading nature of the business.

The company's operations are working capital intensive due to the high receivables and full utilisation of bank facilities. GSL's Gross Current Assets days stood high at 100 as on 31 March 2016 as compared to 114 days as on 31st March 2015. This is on account of high receivables of 80 days and 103 days as on 31st March 2016 and 31st March 2015 respectively.

Rating Sensitivity Factors

- Efficient working capital management
- Maintaining profitability

Outlook-Stable

SMERA believes GSL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers more than expected growth in revenues and profitability while improving working capital management. Conversely the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or decline in operating margins.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Company

The Chennai-based GSL is a part of the Greta group of companies that was established in 1996. The company was incorporated in 2011 and is engaged in the trading of steel scrap, iron ore and coal.

For FY2015-16, the company registered Profit after tax (PAT) of Rs.0.88 crore on operating income of Rs.253.83 crore as against PAT of Rs.1.28 crore on operating income of Rs.293.18 crore in FY2014-15.

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ABOUT SMERA

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