

Press Release

Greta Steels Limited

10 January, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.24.00 Cr.
Long Term Rating	SMERA BB-/ Outlook:Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as SMERA BB minus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs.24.00 crore bank facilities of Greta Steels Limited. The outlook is '**Stable**'.

Greta Steels Private Limited (GSPL) was incorporated in 2011 by Mr. Rajesh Kumar. The company is engaged in the trading of steel scrap, iron ore and coal. The current directors are Mr. Rajesh Kumar and Mr. Ajit Kumar Chordia.

Key rating drivers

Strengths

Experienced management: The day-to-day operations are managed by Mr. Rajesh Kumar, who possesses over two decades of experience in the steel, mining, energy and agro industries.

Healthy scale of operations and product diversification: GSPL has healthy scale of operations marked by operating income of Rs.259.51 crore in FY2016-17 compared to Rs.253.83 crore in FY2015-16. The company plans to import raw cashew and teak wood from West Africa and sell them in the domestic market from February 2018 to improve scale of operations over the medium term. The company generated revenue of Rs.170.00 crore from April to November 2018 (Provisional).

Weaknesses

Average financial risk profile: The average financial risk profile is marked by moderate net worth, high gearing levels and moderate debt protection metrics. The net worth levels stood moderate at Rs.10.84 crore as on 31 March, 2017 compared to Rs.9.43 crore as on 31 March, 2016. The gearing improved from 2.56 times as on 31 March, 2016 to 2.20 times as on 31 March 31, 2017 due to promoter's equity infusion (Rs.0.50 crore) and accretion of profit. The coverage indicators such as Interest Coverage Ratio (ICR) declined to 1.35 times as on 31 March, 2017 as against 1.40 times in the previous year. Further, Debt Service Coverage Ratio (DSCR) stood at 1.24 times as on 31 March, 2017 compared to 1.27 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2017 compared to 0.04 times as on 31 March, 2016.

Working capital intensive operations: The operations are working capital intensive with Gross Current Asset (GCA) days of 100 in FY2017 as against 101 in the preceding year. The high GCA days are mainly due to stretched receivables varying between 81 to 86 days in the past two years ended March 2017. The high working capital intensity has resulted in almost full utilisation of bank limits.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of GSPL.

Outlook – Stable

SMERA believes that GSPL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenue while improving its working capital management. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	259.51	253.83	293.18
EBITDA	Rs. Cr.	4.44	4.17	3.61
PAT	Rs. Cr.	0.91	0.88	1.28
EBITDA Margin (%)	(%)	1.71	1.64	1.23
PAT Margin (%)	(%)	0.35	0.35	0.44
ROCE (%)	(%)	15.08	16.20	36.63
Total Debt/Tangible Net Worth	Times	2.20	2.56	1.73
PBDIT/Interest	Times	1.35	1.40	1.80
Total Debt/PBDIT	Times	4.63	5.24	3.46
Gross Current Assets (Days)	Days	100	101	115

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12-October, 2016	Cash Credit	Long term	9.00	SMERA BB-/ Stable (Assigned)
	Letter of Credit	Short term	15.00	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BB-/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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