

Press Release

Greta Steels Private Limited (Formerly Known As Greta Steels Limited)

January 24, 2019



Rating Downgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	ACUITE B+/Stable (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE B+** (read as ACUITE B plus) from '**ACUITE BB-**' (read as ACUITE double B minus) and reaffirmed short term rating to '**ACUITE A4**' (read as ACUITE A four) to the Rs. 24.00 crore bank facilities of Greta Steels Private Limited (Formerly Known As Greta Steels Limited). The outlook is '**Stable**'.

The downgrade in the rating is in the view of decline in operating revenues and deterioration in leverage indicators. GSPL's operating revenues declined by ~25 percent in FY2018, revenue stood at Rs. 195.82 crore in FY 2018 as against Rs. 259.51 crore in FY 2017, resulting in lower PAT margins of 0.27 percent in FY 2018 as against 0.35 percent in FY 2017. The interest coverage ratio declined to 1.28 times in FY2018 as against 1.35 times in FY2018 and debt servicing coverage ratios (DSCR) declined to 1.18 times in FY2018 as against 1.24 times in FY2017.

Greta Steels Private Limited (GSPL), incorporated in 2011 by Mr. Rajesh Kumar, is engaged in the trading of steel scrap, iron ore and coal. The day to day operations of the company are currently managed by Mr. Rajesh Kumar. The company got converted to private limited from public limited as on August 28, 2017 and Mr. Rajesh Kumar and Mr. Ajit Kumar Chordia are the current Directors of the company.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of GSPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management:**

GSPL was incorporated in 2011 by Mr. Rajesh Kumar, Mr. Nitesh Chaudhary, Mr. Ajit Kumar Chordia, Mr. Praneet Kumar and Mr. Pradeep Kumar. The day to day operations of the company are managed by Mr. Rajesh Kumar, who possesses over two decades of experience in the steel, mining, energy and agro industry.

- Average financial risk profile:**

The average financial risk profile of the company is marked by moderate net worth. The net worth stood at Rs.14.38 crore as on March 31, 2018 as compared to Rs. 10.84 crore as on March 31, 2017. The gearing has improved to 1.67 times as on March 31, 2018 from 2.20 times as on March 31, 2017, due to promoter's equity infusion of Rs.3.00 crore. However, leverage coverage indicators such as ICR declined to 1.28 times as on March 31, 2018 as compared to 1.35 times as on March 31, 2017 and DSCR stood at 1.18 times as on March 31, 2018 as compared to 1.24 times as on March 31, 2017. NCA/TD stood at 0.02 times as on March 31, 2018 as compared to 0.04 times as on March 31, 2017.

Weaknesses

• Decline in revenues:

GSPL's revenues declined in FY2018. The revenue from operations stood at Rs.195.32 crore in FY2018 as against Rs.259.51 crore in FY2017, registering a decline of 24.74 percent. The major reason for decline in revenue was due to volatility in the market and exchange rates which led to lower sourcing of goods, in turn lower sales. The company generated revenue of Rs.179.00 crore (Provisional) from April to December, 2018. As per management, the company will start trading in raw cashews and teak wood through imports from West Africa and sell the same in local markets which would improve scale of operations over the medium term.

• Stretched liquidity position:

GSPL's operates in a moderate working capital cycle marked by Gross Current Asset (GCA) of 100 days in FY2018 and FY2017. The GCA days are mainly dominated by high debtor days of 70 in FY2018 compared to 86 in FY2017. The average cash credit utilisation for six months ending November 2018 remained high at ~ 99 percent. Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

• Intense competition:

GSPL operates in highly fragmented and competitive industry with limited entry barriers, wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Outlook: Stable

Acuité believes that GSPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. 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 financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	195.32	259.51	253.83
EBITDA	Rs. Cr.	3.75	4.44	4.17
PAT	Rs. Cr.	0.54	0.91	0.88
EBITDA Margin	(%)	1.92	1.71	1.64
PAT Margin	(%)	0.27	0.35	0.35
ROCE	(%)	10.60	15.08	16.20
Total Debt/Tangible Net Worth	Times	1.67	2.20	2.56
PBDIT/Interest	Times	1.28	1.35	1.40
Total Debt/PBDIT	Times	6.22	4.63	5.24
Gross Current Assets (Days)	Days	100	100	101

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jan-2018	Cash Credit	Long Term	9.00	ACUITE BB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)
12-Oct-2016	Cash Credit	Long Term	9.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE B+ / Stable (Downgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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