

Press Release

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

February 18, 2020

Rating Downgraded



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

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.24.00 crore bank facilities of Greta Steels Private Limited.

The downgrade of the rating factors delays in servicing of its debt obligations for last five months through August 2019, continuous overdrawing in overdraft facility for more than 30 days.

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

Acuite has taken a standalone view of the business and financial risk profile 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.

Weaknesses

• Delays in servicing debt obligations

The company has been delaying in servicing its debt obligations for the last five months through August 2019, owing to stretch in its liquidity. The company's letter of credit has been devolved which has not yet been regularized.

• 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. The company is likely to 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.

• 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.

Liquidity Position: Stretched

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. Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

About the Rated Entity - Key financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	195.32	259.51
PAT	Rs. Cr.	0.54	0.91
PAT Margin	(%)	0.27	0.35
Total Debt/Tangible Net Worth	Times	1.67	2.20
PBDIT/Interest	Times	1.28	1.35

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-January-2019	Cash Credit	Long Term	9.00	ACUITE B+/Stable (Downgraded from ACUITE BB-/Stable)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)
10-January-2018	Cash Credit	Long Term	9.00	ACUITE BB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)

*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 D (Downgraded from ACUITE B+/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded from ACUITE A4)

Contacts

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About Acuité Ratings & Research:

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