

### Goyal Ispat Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	12.50	SMERA B-/Stable (Assigned)
Letter of Credit	5.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA B minus**) and '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Goyal Ispat Limited (GIL). The outlook is '**Stable**'.

The ratings are constrained by the company's stretched liquidity position and average financial risk profile. The ratings also factor in the highly competitive steel industry. However, the ratings are supported by the established track record of operations and experienced management.

GIL is a Chennai-based manufacturer of TMT bars. The company's operations are working capital intensive marked by gross current asset days of 154 in FY2016 (Provisional). The ratings take into account the stretched liquidity position evident from the high bank limit utilisation (99 per cent of cash credit limit utilised for six months ended 31 March, 2016). GIL has below average financial risk profile marked by low interest coverage ratio of 0.13 times for FY2015-16 (Provisional) as compared to 1.85 times for FY2014-15, gearing of 3.96 times as on 31st March 2016 (Provisional) as compared to 2.56 times as on 31 March, 2015. The net worth of the company declined to Rs.9.75 crore as on 31 March, 2016 (Provisional) from Rs.13.18 crore as on 31st March 2015.

GIL operates in a highly competitive steel industry. The industry faces slowdown in demand and threat of cheaper imports resulting in low operating margins.

However, GIL benefits from its experienced management and established track record of operations of over two decades. The directors, Mr. Ghisulal Kothari and Mr. Shantilal Kothari have more than three decades of experience in the steel industry.

#### Rating Sensitivity Factors

- Efficient working capital management
- Maintaining profitability
- Scaling up operations

#### Outlook-Stable

SMERA believes GIL 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 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 if the operating margins decline.

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

## About the Company

The Chennai-based GIL is a part of the Kamachi group of companies established by Mr. Ghisulal Kothari and Mr. Shantilal Kothari in 1978. GIL was incorporated in 1990 and is engaged in the manufacture of TMT bars.

For FY2015-16 (Provisional), GIL reported net loss of Rs.3.43 crore on operating income of Rs.64.35 crore, as compared with net loss of Rs.0.28 crore on operating income of Rs.49.77 crore in FY2014-15.

## Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

## ABOUT SMERA

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