

Press Release

GOYAL ISPAT LIMITED

March 19, 2018

Rating Reaffirmed



| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 17.50 Cr. |
| Long Term Rating | SMERA B- / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 17.50 crore bank facilities of GOYAL ISPAT LIMITED. The outlook is '**Stable**'.

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.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

GIL was incorporated in 1990 and managed by Mr. Ghisulal Kothari and Mr. Shantilal Kothari who have experience of more than two decades in the steel industry. GIL backed by their experienced management and has been able to generate healthy relation with various customers.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Asset days of 213 and 230 in FY2017 and FY2016 respectively. The high GCA days emanate from high collection days of 155 for FY2017. Moreover the cash credit utilization for the past six months stood at 99 percent.

- **Exposure to volatility in raw material prices**

The major raw materials procured by the company include steel bar and iron component. The raw material cost constitutes around 70 percent of the total sales for FY2017. Prices of steel are highly volatile in nature. Hence, profitability of the company is exposed to volatility in raw material prices.

- **Weak financial risk profile**

The financial risk profile of GIL is weak marked by low networth of Rs. 5.46 crore as on 31 March 2017 as against Rs. 8.81 crore in the previous year. Further the debt to equity ratio stood at 8.09 times as on 31st March 2017 as against 4.08 times in the previous year. The Net cash accrual to total debt and debt service coverage ratio stood low at (0.05) times and 0.18 times respectively in FY2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of GIL to arrive at the rating.

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.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 60.84 | 64.64 | 49.77 |
| EBITDA | Rs. Cr. | -1.12 | -2.58 | 1.64 |
| PAT | Rs. Cr. | -3.35 | -4.36 | -0.28 |
| EBITDA Margin | (%) | -1.85 | -3.99 | 3.30 |
| PAT Margin | (%) | -5.50 | -6.75 | -0.56 |
| ROCE | (%) | -4.77 | -8.09 | 5.94 |
| Total Debt/Tangible Net Worth | Times | 8.09 | 4.08 | 2.56 |
| PBDIT/Interest | Times | -0.37 | -0.95 | 1.85 |
| Total Debt/PBDIT | Times | -44.80 | -14.31 | 20.06 |
| Gross Current Assets (Days) | Days | 213 | 230 | 281 |

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

None

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-------------------|
| 30-Jan-2018 | Cash Credit | Long Term | INR 12.5 | SMERA B- |
| | Letter of Credit | Short Term | INR 5 | SMERA A4 |
| 12-Oct-2016 | Cash Credit | Long Term | INR 12.5 | SMERA B- / Stable |
| | Letter of Credit | Short Term | INR 5 | SMERA A4 |

*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 | 12.50 | SMERA B- / Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 5.00 | SMERA A4 |

Contacts

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ABOUT SMERA

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