

Press Release

Great India Steel Fabricators

April 28, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 28.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4** (read as SMERA A four) on the Rs. 28.50 crore bank facilities of Great India Steel Fabricators. The outlook is '**Stable**'.

Great India Steel Fabricators (GISF) is a Haryana-based partnership firm promoted by Mr. Roop Narain Mehendiratta and Mr. Varinder Kr. Mehendiratta. The firm is engaged in steel fabrication for power, petrochemical, refinery and infrastructure projects and has installed capacity of 15000 metric tonnes per annum (mtpa). The firm is an approved contractor with reputed companies such as Bharat Heavy Engineering Limited (BHEL), Larsen & Toubro, Reliance Infra Ltd among others.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

GISF was established in 1972. The promoters, Mr. Roop Narain Mehendiratta and Mr. Varinder Kr. Mehendiratta have around three decades of experience in the iron and steel industry.

- Comfortable profitability margins**

GISF undertakes customised job-work contracts. The firm reported operating profit margin of 23.62 per cent in FY2016 as against 15.18 per cent in FY2015 due to sale of more customised products to its customers.

Weaknesses

- Susceptibility of operating margins**

The firm reported a continued decline in its operating income to Rs. 24.22 cr in FY2015-16 as against Rs. 31.11 cr in FY2014-15.

- Working capital intensive operations**

The firm has faced headwinds in its overall inventory levels on account of slowdown in offtake of products. The collections remained stressed and is expected to continue over the near to medium term. GISF reported inventory days of 188 in FY2016 as against 71 in FY2015 while debtor days remained high at 153 in FY2016 as against 171 in FY2015. The GCA days were stretched to 278 days in FY2016 as compared to 383 days in FY2015. The highly working capital intensive business resulted in limited financial flexibility. The bank limits remained fully utilised.

- Modest debt protection metrics**

GISF reported total debt of Rs.19.41 cr as on 31 March, 2016 (Rs. 22.39 cr on 31 March, 2015) out of which Rs. 6.07 cr was availed to fund capex in FY2014-15. The rating is constrained by the limited

headroom available between the operating cash flows of the firm and its debt servicing commitments. GISF reported debt service coverage ratio of 1.19 times in FY2016. Any shortfall in operating cash flows of the firm vis-à-vis its debt servicing commitments shall require refinancing efforts over the near term. The interest coverage of the firm stands moderate at 1.58 times in FY2016 as compared to 1.53 times in FY2015.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term on the back of the management's extensive experience, long track record of operations and comfortable profitability indicators. The outlook may be revised to 'Positive' in case of sustained increase in operating income while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of continued challenges faced by the firm in increasing its operating income and/or further decline in debt protection metrics.

About the Rated Entity - Key Financials

For FY2016, GISF reported PAT of Rs.0.07 cr on operating income of Rs.24.22 cr as compared to Rs.0.14 cr on operating income of Rs.31.11 cr for FY2015. The net worth stood at Rs.14.41 cr in FY2016 as against Rs.14.90 cr in the previous year. The net worth of Rs.14.41 cr in FY2016 includes quasi equity of Rs.0.07 cr.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	12.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	SMERA A4

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