

Press Release

Great India Steel Fabricators

November 12, 2018

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated*	Rs. 28.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE C)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from **ACUITE C** (read as **ACUITE C**) and reaffirmed the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 28.50 crore bank facilities of Great India Steel Fabricators (GISF). The outlook is '**Stable**'.

The rating revision is in view of improvement in the firm's financial risk profile and healthy revenue growth. The rating continues to draw comfort from the experienced management, reputed clientele base and healthy margins.

The Haryana based, Great India Steel Fabricators (GISF) was established in 1973. GISF is a partnership firm with partners being Mr. Roop Narain Mehendiratta and Mr. Varinder Mehendiratta. The firm is engaged in steel fabrication (steel structures) for power, petrochemical, refinery, infrastructure and railways projects. GISF's manufacturing unit is located at Ishapur (Haryana) with an installed capacity of 15000 metric tons per annum (MTPA). The firm has reputed clientele base which includes Bharat Heavy Engineering Limited (BHEL), Larsen & Toubro, Reliance Infra Limited, Doosan Power Systems and Dilip Buildcon Limited among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GISF to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and reputed clientele base

GISF was established in 1973, and is currently managed by Mr. Roop Narain Mehendiratta and Mr. Varinder Mehendiratta. The firm has established track record of more than four decades in iron and steel industry. The firm is engaged in steel fabrications such as steel structures for power, petrochemical, refinery, infrastructure and railway industries. The promoters possess vast experience of over three decades in this industry and are ably assisted by an experienced second line of management. The firm has strong order book of Rs.100.00 crore which is executable in near to medium term. The company has a reputed clientele base which includes BHEL, Larsen & Turbo, Dilip Buildcon among others.

Acuite believes that GISF will benefit from experienced management which will help the firm to maintain long standing relations with its customer and suppliers.

• Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.17.77 crore as on 31 March, 2018 as against Rs.13.74 crore in the previous year. The improvement in net worth is on account of addition of capital by the partners. The gearing (debt-equity) stood moderate at 1.50 times as on 31 March, 2018 as against 1.55 times as on 31 March, 2017. The total debt as on 31 March, 2018 of Rs.26.68 crore comprises of term loan from bank of Rs.3.90 crore, working capital borrowings of Rs.14.77 crore and unsecured loan of Rs. 8.02 crore. Interest Coverage Ratio (ICR) stood at 2.52 times in FY2018 as against 1.55 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.45 times as on 31 March, 2018 as against 3.08 times in the previous year. The net cash accrual to

total debt (NCA/TD) stood low at 0.16 times in both FY2018 as against 0.07 in FY2017.

Going forward, Acuité believes that the firm's financial risk profile will remain moderate backed by moderate net cash accruals and no major debt funded capex plan.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 349 days in FY2018 as compared to 473 days in FY2017. The GCA days are mainly dominated by high inventory holding of 139 days in FY2018 compared to 297 days in FY2017. The debtor days stood high at 190 days in FY2018 compared to 201 days in FY2017. The average cash credit utilisation was fully utilised for the last six months ending September 2018.

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

• Margins susceptible to fluctuations in prices of raw materials and competitive nature of business

The firm's operating margins have shown a fluctuating trend of 19.05 percent in FY2018 as against 18.76 percent in FY2017. Further in FY2016, the operating margins stood at 23.62 percent. The firm reported Profit after Tax (PAT) margin of 5.65 percent in FY2018 against net loss of 0.84 percent in FY2017.

The raw materials required for GISF are steel plates, angles and channels which are susceptible to volatility in prices. Therefore, the fluctuation in operating margins is marked by fluctuations in raw material prices. Also, the firm is exposed to inherent cyclicity in the steel industry and has presence in highly competitive and fragmented steel industry.

Outlook: Stable

Acuité believes that GISF's outlook will remain 'Stable' backed by experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues, profitability while improving working capital cycle. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	35.72	22.66	24.22
EBITDA	Rs. Cr.	6.81	4.25	5.72
PAT	Rs. Cr.	2.02	-0.19	0.07
EBITDA Margin	(%)	19.05	18.76	23.62
PAT Margin	(%)	5.65	-0.84	0.30
ROCE	(%)	11.99	7.45	10.42
Total Debt/Tangible Net Worth	Times	1.50	1.55	1.36
PBDIT/Interest	Times	2.52	1.55	1.58
Total Debt/PBDIT	Times	3.85	4.98	3.39
Gross Current Assets (Days)	Days	349	473	354

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
02-Jun-2018	Cash Credit	Long Term	INR 12.00	ACUITE C (Indicative)
	Term Loan	Long Term	INR 6.00	ACUITE C (Indicative)
	Bank Guarantee	Short Term	INR 10.50	ACUITE A4 (Indicative)
28-Apr-2017	Term Loan	Long Term	INR 6.00	ACUITE B+ / Stable (Assigned)
	Cash Credit	Long Term	INR 12.00	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 10.50	ACUITEA4 (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	15.00	ACUITE B+ / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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