



Press Release
Govind Steel Company Limited
September 23, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	3.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	5.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	20.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.12.00 Cr. bank facilities of Govind Steel Company Limited (GSCL).

Acuite has reaffirmed and withdrawn the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.3.00 Cr. bank facilities of Govind Steel Company Limited (GSCL).

Acuite has withdrawn its proposed short-term rating on the Rs.5.00 Cr. bank facilities of Govind Steel Company Limited (GSCL) without assigning any rating as it is a proposed facility. The rating has been withdrawn on Acuite's policy of withdrawal of rating as applicable to the respective facility / instrument. The rating has been withdrawn on account of the request received from the company, and the No Objection Certificate received from the banker.

Rationale for the reaffirmation

The rating on group considers the healthy Net worth of the group, The rating also draws comfort from the experienced promoters and the group's long track record in the industry. These strengths are however, offset by the working capital-intensive in nature of operations along with the intense competition and inherent cyclical nature of the steel industry.

About the Company

Incorporated in 1958, Govind Steel Company Limited (GSCL) is a Kolkata based company involved in manufacturing of manhole covers, manhole sets, C. I. castings, D. I. castings etc. Promoted by Mr. Dinesh Kumar Seksaria, its management includes Mr. Gaurav Seksaria and Mr. Chatar Singh Kathotia. The plant has an installed capacity of 18,000 tons per annum of foundry (C.I Castings) and 6,000 tons per annum of ductile furnaces (D.I Castings) in Rishra, West Bengal. GSCL sells around 60 per cent of its products to the local market and the remaining is exported.

About the Group

Incorporated in 1961, Dinesh Brothers Private Limited (DBPL), is a Kolkata based company involved in manufacturing, trading and exports of manhole covers, manhole sets, C.I castings, D.I castings etc. Over 90 percent of its sales are exports. In Jan, 2021, the company has commenced its manufacturing unit of D.I. castings with an installed capacity of 12,000 MTPA. In FY22, the company generated around 35 per cent of its revenue from

manufacturing and remaining from trading sales. Mr. Gaurav Seksaria and Mr. Dinesh Kumar Seksaria are the directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Dinesh Brothers Private Limited (DBPL) and Govind Steel Company Limited (GSCL), hereby referred to as the Govind group, on account of common management, same line of business and strong operational linkages between the entities

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The group is led by the second and third generation directors, Mr. Dinesh Kumar Seksaria, Mr. Chatar Singh Kathotia and Mr. Gaurav Seksaria, who hold experience of more than two decades in the iron and steel casting industry. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. The key customers of the company have no major concentration in revenues. On the back of the stable and repeat orders by the various customers, the group has set up its second unit for manufacturing with a modern foundry in Jan'21. Acuité believes that going forward the vast experience of the management and long tracks record of operations will continue to support the business.

Average financial risk profile

The group has an average financial risk profile is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth has increased to Rs. 186.44 Cr. as on FY2024 (Prov.) as compared to Rs.284.07 Cr. as on FY2023 due to accretion of reserves. The gearing of the group stood at 0.86 times as on FY2024 (Prov.) as compared to 1.31 times as on FY2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.00 times as on FY2024 (Prov.) as against 1.82 times as on FY2023. The debt protection metrics of the group marked by comfortable Interest Coverage Ratio (ICR) at NIL as on FY2024 (Prov.) as compared to 3.31 times as on FY2023 and Debt Service Coverage Ratio at 2.38 times as on FY2024 (Prov.) as compared to 1.16 times as on FY2023. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.18 times as on FY2024 (Prov.). Acuité believes that financial risk profile is expected to be remain average over the medium term in absence of major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the group is marked by high Gross Current Asset days (GCA) of 205 days as on FY2024 (Prov.) as compared to 136 days of FY2023 due to significantly changes in high other current asset. However, the debtor days stood comfortable at 35 days as on FY2024 (Prov.) as compared to 43 days as on FY2023. The inventory period stood relatively low at 62 days as on FY2024 (Prov.) as compared to 70 days FY2023 respectively. Acuité believes that the working capital management of KAILPL's will remain intensive given the nature of the industry.

Susceptibility of profit margins to prices of raw material

Majority of raw material, i.e., MS scrap and pig iron are sourced locally. During the past three years, raw material cost remained the major cost driver for the group. The group has witnessed a drop in profitability margins the past. Accordingly, any adverse movement in

prices of raw materials impacting the margins and thereby deterioration in financial risk profile of the group.

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

The group's liquidity position is adequate marked by net cash accruals of Rs.13.38 Cr. as on FY2024 (Prov.) as against Rs. 5.61 Cr. long-term debt repayment during the same period. The current ratio stood at 8.52 times as on FY2024 (Prov.), as compared to 1.30 times as on FY2023. The cash and bank balances stood at Rs. 0.24 Cr. FY2024 (Prov.). However, the working capital-intensive nature of operations of the group is marked by Gross Current Assets (GCA) of 205 days as on FY2024 (Prov.) as compared to 136 days as on FY2023. Acuité believes that going forward the liquidity position of the group will remain adequate due to the improving net cash accruals.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	186.44	284.07
PAT	Rs. Cr.	10.50	6.78
PAT Margin	(%)	5.63	2.39
Total Debt/Tangible Net Worth	Times	0.86	1.31
PBDIT/Interest	Times	0.00	3.31

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jul 2023	Cash Credit	Long Term	12.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
03 May 2022	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
08 Feb 2021	Cash Credit	Long Term	12.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB+ Reaffirmed & Withdrawn
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	Not Applicable Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Govind Steel Company Limited
2	Dinesh Brothers Private Limited

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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