

Press Release

Ghankun Steels Private Limited

January 21, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.30	ACUITE A- Stable Upgraded	-
Bank Loan Ratings	46.00	-	ACUITE A2+ Upgraded
Total Outstanding Quantum (Rs. Cr)	97.30	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE A-**' (**read as ACUITE A minus**) from '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and the short term rating to '**ACUITE A2+**' (**read as ACUITE A two plus**) from '**ACUITE A2**' (**read as ACUITE A two**) to the Rs. 97.30 Cr bank facilities of Ghankun Steels Private Limited. The outlook is '**Stable**'.

The rating upgrade is driven by an improvement in the overall business risk profile of the company marked by sharp increase in the operating income along with an improvement in profitability arising from improved realizations as well as better cost efficiencies. The rating also factors in its management's long track record in the sector, integrated nature of operations, efficient collection mechanism and the healthy financial risk profile of the company characterized by comfortable leverage. These strengths are, however, partly offset by the cyclical nature of the steel industry and the volatility in commodity prices.

About the Company

Incorporated in 2004, Raipur based Ghankun Steels Private Limited (GSPL) is engaged in manufacturing of sponge iron and billets. In 2010, the company became part of the Maruti group. Currently, GSPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary, Mr. Nishant Khetan, Mr. Rajesh Tola, Mr. Ashok Chowdhary, Mr. Saurabh Tola, Mrs. Sumitra Khetan and Mr. Prashant Khetan. The company has a capacity of 75000 MTPA for Sponge Iron, 15000 MTPA for Billet and a 9.5MW captive power plant.

About the Group

Incorporated in 2005, Maruti Ferrous Private Limited (MFPL) is engaged in manufacturing of billets and TMT bars. The company is the flagship entity of the Maruti Group. Currently, MFPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary, Mr. Nishant Khetan, Mr. Rajesh Tola, Mr. Ashok Chowdhary, Mr. Saurabh Tola, Mrs. Sumitra Khetan and Mr. Prashant Khetan. The company has a capacity of 96000 MTPA for Billet and 150000 MTPA for TMT bars.

Incorporated in 2002, Nutan Ispat & Power Private Limited (NIPPL) is engaged in manufacturing of sponge iron, billets and TMT bars. In 2014, the company became part of the Maruti group. Currently, NIPPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary, Mr. Nishant Khetan, Mr. Rajesh Tola, Mr. Ashok Chowdhary, Mr. Saurabh Tola, Mrs. Sumitra Khetan and Mr. Prashant Khetan. The company has a capacity of 60000 MTPA for Sponge

Iron, 88320 MTPA for Billet, 150000 MTPA for TMT bars and a 10MW captive power plant.

Incorporated in 1991, Sunil Ispat & Power Limited (SIPL) is engaged in manufacturing of sponge iron. In 2019, Maruti Ferrous Private Limited had acquired Sunil Ispat & Power Limited (SIPL) through NCLT. Currently, the company has a capacity of 115000 MTPA for Sponge Iron.

The Group also consists of two more entities Hanuman Ispat Private Limited (HIPL) and HSR Re-Rollers Private Limited (HRRPL, they are engaged in manufacturing 60000 MTPA of billet and 60000 MTPA of TMT respectively.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Maruti Ferrous Private Limited (MFPL), Nutan Ispat and Power Private Limited (NIPPL), Ghankun Steels Private Limited (GSPL), Hanuman Ispat Private Limited (HIPL), HSR Re-Rollers Private Limited (HRRPL) and Sunil Ispat and Power Limited (SIPL) together referred to as the 'Maruti Group' (MG). The consolidation is in the view of common management, parent subsidiary relationship, strong operational linkages between the entities and a similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Long operational track record and experienced management**

The Maruti Group has been in the iron and steel industry for over two decades. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. Further, the key promoters Mr. Ashok Chowdhary and Mr. Saurabh Tola have been associated with the iron & steel industry for two decades. In addition to this, the second generation promoters Mr. Bimal Kishore Khetan, Mr. Prashant Khetan, Mr. Ankit Chowdhary and Mr. Saurabh Tola are having experience of around a decade. Acuité derives comfort from the long experience of the promoters.

- Strong business risk profile supported by integrated nature of operations and locational advantage**

The strong business risk profile of the Group is supported by the integrated nature of operations of the Group; this enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent. The diversity in revenue streams of the Group also augurs well. Also, the revenue of the group has improved to Rs.980.21 Cr in FY2021 as compared to revenues of Rs.757.13 Cr in FY2020, thereby registering a growth of 29.46 per cent. Further, the operating margin of the group increased to 7.78 per cent in FY2021 as compared to 6.95 per cent in the previous year. The PAT margins stood at 2.45 per cent in FY2021. The ROCE levels stood at a comfortable level of about 13.22 per cent in FY2021 as against 12.26 per cent in FY2020. Acuité believes that the sustainability in the revenue growth and profitability margins would be a key monitorable going forward.

In addition to this, the Group has a locational advantage as the plants are located in the industrial area of Raipur, Chattisgarh, which is in close proximity to various steel plants and sources of raw materials. Further the plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods.

- Healthy financial risk profile**

The Group's healthy financial risk profile is marked by healthy networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the Group increased to Rs.265.13 Cr as on March 31, 2021 from Rs.244.15 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.87.24 Cr as on March 31, 2021 as part of networth as these loans are subordinated to bank debt. Gearing of the Group stood comfortable at 0.84 times as on March 31, 2021 as against 0.68 times as on March 31, 2020. The debt of Rs.222.11 Cr consists of working capital from the bank of Rs.130.93 Cr, term loan of Rs.73.18 Cr, and current maturity of term loan of Rs.18 Cr as on March 31, 2021.

The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.41 times as on March 31, 2021 as against 1.16 times as on March 31, 2020. The strong debt protection metrics of the Group is marked by Interest Coverage Ratio at 2.72 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.90 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.20 times as on March 31, 2021.

Acuité believes that going forward the financial risk profile of the Group will remain healthy over the medium term, in absence of any major debt funded capex plans.

• **Moderate working capital management**

The working capital management of the Group is moderate marked by Gross Current Assets (GCA) of 109 days in 31st March 2021 as compared to 107 days in 31st March 2020. The moderate level of GCA days is on account of moderate inventory levels during the same period. The inventory holding stood at 70 days in 31st March 2021 as compared to 69 days as on 31st March 2020. However, the debtor period stood comfortable at 11 days in 31st March 2021 as compared to 8 days in 31st March 2020. Acuité believes that the working capital operations of the Group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term.

Weaknesses

• **Intense competition and inherent cyclical nature of the steel industry**

The downstream steel industry remains heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

- Sustainability in revenue growth and margins
- Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

The Group's liquidity is adequate marked by steady net cash accruals of Rs.44.28 Cr as on March 31, 2021 as against long term debt repayment of Rs.9.17 Cr over the same period. The fund based limit remains utilised at 74per cent over the seven months ended December, 2021. The Group has availed loan moratorium and applied for additional covid loan. The cash and bank balances of the Group stood at Rs.2.60 Cr as on March 31, 2021 as compared to Rs.0.62 Cr as on March 31, 2020. The current ratio stood moderate at 1.12 times as on March 31, 2021 as compared to 1.03 times as on March 31, 2020. However, working capital management of the Group is moderate marked by Gross Current Assets (GCA) of 109 days in 31st March 2021 as compared to 107 days in 31st March 2020. Acuité believes that going forward the Group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on Maruti Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position, healthy financial risk profile and moderate working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the Group's revenues or profit margins, or in case of deterioration in the Group's financial risk profile or delay in completion of its projects or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	980.21	757.13
PAT	Rs. Cr.	24.03	20.24
PAT Margin	(%)	2.45	2.67
Total Debt/Tangible Net Worth	Times	0.84	0.68
PBDIT/Interest	Times	2.72	2.60

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- 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>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Dec 2020	Term Loan	Long Term	24.00	ACUITE BBB+ Stable (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A2 (Assigned)
	Proposed Bank Facility	Long Term	7.00	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Short Term	5.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	2.30	ACUITE BBB+ Stable (Assigned)
25 Feb 2020	Cash Credit	Long Term	34.37	ACUITE BB+ (Withdrawn and Issuer not co-operating*)
	Bills Discounting	Short Term	5.00	ACUITE A4+ (Withdrawn and Issuer not co-operating*)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	18.00	ACUITE BB+ (Withdrawn and Issuer not co-operating*)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Withdrawn and Issuer not co-operating*)
18 Dec 2019	Letter of Credit	Short Term	20.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	18.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	34.37	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Issuer not co-operating*)
	Bills Discounting	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
11 Jun 2019	Cash Credit	Long Term	18.00	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	34.37	ACUITE BBB- (Issuer not co-operating*)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Issuer not co-operating*)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	6.00	ACUITE A3+ (Issuer not co-operating*)
19 Mar 2018	Proposed Long Term Loan	Long Term	34.37	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Reaffirmed)
		Short		

	Letter of Credit	Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A3+ (Assigned)
07 Feb 2018	Term Loan	Long Term	34.37	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A2+ Upgraded
Union Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2+ Upgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A- Stable Upgraded
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2+ Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A- Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A- Stable Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2+ Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Upgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	18.00	ACUITE A- Stable Upgraded
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	5.90	ACUITE A- Stable Upgraded
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.30	ACUITE A- Stable Upgraded

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