

Press Release

Giriraj Exim Private Limited

06 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as **SMERA BBB**) on the Rs. 40.00 crore bank facilities of Giriraj Exim Private Limited. The outlook is '**Stable**'.

Giriraj Iron Limited (GIL) and Giriraj Exim Private Limited (GEPL) are together referred to as Giriraj group. Giriraj Exim Private Limited was formed in 2008 as an importer of Mild Steel (MS) Sheets. Giriraj Iron Limited was established in 2011 as a trading company in a variety of products including H R Coil, H R Sheet, M S Coil, M S Plates, T M T Bars, etc. Giriraj group is promoted by the Shah Family and the head office is located in Ahmedabad, Gujarat with business operations spread across Maharashtra and Gujarat. The Shah family is in this business since 1946. The directors of the company, Mr. Bhadresh Shah and Mr. Shailesh Shah have 30 years of experience in the business of Steel trading.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Mr. Vadilal Shah, father of Mr. Bhadresh Shah had started the business of trading in Ferrous Metals from the year 1946. Mr. Bhadresh Shah started the business of trading in non-ferrous metals in 1985 as a proprietary concern, Gokul Corporation. After which, he and his brother, Mr. Shailesh V. Shah, formed a partnership firm under the name M/s Giriraj Steel. This firm was converted into Giriraj Iron Limited in the year 2011. Currently, all the directors look after the day to day business activities. SMERA believes that owing to the long track record of operations, it has helped the group establish and maintain long standing relations with customers and suppliers.

- **Diversified clientele and product portfolio with distributorship of JSW and SAIL**

Giriraj group operates in the domestic market and has established a diversified client network over the years. Giriraj group does not have any customer concentration risk. Giriraj group's product portfolio comprises of various products including H R Coil, H R Sheet, M S Coil, M S Plates, and T M T Bars. GEPL has a channel financing facility from JSW Ltd and SAIL for the procurement of steel products. This provides continuous and uninterrupted supply of steel to the group.

- **Steady growth in operations**

The group has been showing a steady growth in revenues over the past few years. The revenues have increased from Rs.458.08 crore in FY16 to Rs.702.15 crore in FY17. The group has registered a compounded annual growth rate of 23% on a year on year (Y-o-Y) basis since FY15.

Weaknesses

- **Susceptibility of revenues to cyclicalities of the steel industry**

Prospects of the steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends of particular industries, viz, automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates,

etc. in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand. Since, the group is engaged in trading of steel related products, its revenues are directly related to the industry ups and downs of steel industry.

• Fragmented and competitive nature of industry

Steel trading business is characterised by highly competitive, fragmented and cyclical business which is strongly correlated to economic cycles; hence earning is low. Furthermore, the metal trading industry has very low entry barriers and there is large number of unorganized players in the industry resulting in large competition.

• Working capital intensive nature of operations

Due to dependency on working capital borrowings for the day to day operations, average working capital utilization remains as high as 95%. However, the operating cycle has improved from 87 days during FY16 to 63 days in FY17. Primarily due to improvement in inventory holding period from 61 days in FY16 to 40 days in FY17.

Analytical Approach

For the purpose of ratings, SMERA has taken a combined view of Giriraj Exim Private Limited (GEPL) and Giriraj Iron Limited (GIL) as both the companies have a common management, are in the same line of business. Both the entities share common infrastructure setup to run the business. Together these companies are referred to as the Giriraj Group.

Outlook: Stable

SMERA believes that the outlook of Giriraj Group will remain stable owing to its established presence in the steel trading industry and extensive experience of the promoter. The outlook may be revised to 'Positive' if the company reports significant growth in revenue and profitability along with maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in net cash accruals and deterioration in the financial risk profile due to higher than expected working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	702.15	458.08	380.28
EBITDA	Rs. Cr.	18.09	14.28	10.00
PAT	Rs. Cr.	3.51	2.24	1.96
EBITDA Margin	(%)	2.58	3.12	2.63
PAT Margin	(%)	0.50	0.49	0.51
ROCE	(%)	12.56	12.07	21.16
Total Debt/Tangible Net Worth	Times	2.69	3.69	2.67
PBDIT/Interest	Times	1.42	1.30	1.38
Total Debt/PBDIT	Times	5.26	7.63	6.76
Gross Current Assets (Days)	Days	90	147	116

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.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	40.00	SMERA BBB / Stable

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ABOUT SMERA

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