

Press Release

Gagan Ferrotech Limited

December 05, 2019



Rating Update

Total Bank Facilities Rated*	Rs. 345.00 Cr. #
Long Term Rating	ACUITE BB+ (Downgraded from ACUITE A-/ Stable) Issuer not co-operating*
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A2+) Issuer not co-operating*

Refer Annexure for details`

* The issuer did not co-operate; Based on best available information.

Acuité has downgraded the rating of Gagan Ferrotech Limited to '**ACUITE BB+** (read as Acuité double B plus) from '**ACUITE A-**' (read as Acuité A minus). The short term rating has been downgraded to '**ACUITE A4+**' (read as Acuité A four plus) from '**ACUITE A2+**' (read as Acuité A two plus). The rating downgrade is on account of information risk.

Incorporated in 1993, Gagan Ferrotech Limited (formerly, Gagan Commodities Private Limited) is a Kolkata based company promoted by Mr. Vinay Kumar Agarwal and Mr. Deepak Agarwal. In 2016, the entire stake of Mr. Deepak Agarwal in GFL was taken over by Mr. Vinay Kumar & family after a mutual agreement. Currently, the day to day affairs are managed by Mr. Vinay Kumar Agarwal. The company was trading in coal till 2006 after which they ventured into manufacturing activities by setting up a sponge iron plant at Asansol (West Bengal). Over the years, GFL forward integrated its operation by setting up a billet, rolling mill and a captive power plant. The present capacity of GFL stands at 1,38,600 MTPA for sponge iron, 2,64,000 MTPA for billets and 1,50,000 MTPA for rolling mill (TMT bars and wire rods). In addition, the company has a captive power plant of 12 MW. The TMT bars and wire rods are sold under the brand name 'Gagan'.

Analytical Approach

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

Non-cooperation by the issuer/borrower

Acuité has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer / borrower failed to submit such information before due date.

Acuité believes that information risk is a critical component in such ratings, and non-cooperation by the issuer along with unwillingness to provide information could be a sign of potential deterioration in its overall credit quality.

This rating is therefore being flagged as "Issuer not-cooperating", in line with prevailing SEBI regulations and Acuité's policies.

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>

Limitation regarding information availability

The rating is based on information available from sources other than the issuer / borrower (in the absence of information provided by the issuer / borrower). Acuité endeavored to gather information about the entity / industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	924.47	841.48
PAT	Rs. Cr.	23.03	7.05
PAT Margin	(%)	2.49	0.84
Total Debt/Tangible Net Worth	Times	0.44	0.47
PBDIT/Interest	Times	6.39	4.68

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

Not applicable

Any other information

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Sep-2018	Term Loan	Long Term	116.00	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	155.00	ACUITE A-/Stable (Assigned)
	Letter of Credit	Short Term	74.00	ACUITE A2+ (Assigned)

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Term Loan	Not Applicable	Not Applicable	Not Applicable	116.00	ACUITE BB+ (Downgraded from ACUITE A-/ Stable) Issuer not co-operating*
Cash Credit	Not Applicable	Not Applicable	Not Applicable	155.00	ACUITE BB+ (Downgraded from ACUITE A-/ Stable) Issuer not co-operating*
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	74.00	ACUITE A4+ (Downgraded from ACUITE A2+) Issuer not co-operating*

*The issuer did not co-operate; Based on best available information.

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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