

## Press Release

### Ganga Steels

October 01, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 5.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 5.00 crore bank facilities of Ganga Steels. The outlook is '**Stable**'.

Ganga Steels (GS) was acquired in 1995 by Mr. Jitendra Jain and other partners. GS is engaged in manufacturing of Stainless Steel Patta/Patti. The manufactured product profile has application in producing utensils, door among others. The firm outsources some activities to its sister concern.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management**

The rating continues to draw comfort from the longstanding experience of over two decades of the promoters in the business. The Partners Mr. Jitendra Jain Mrs. Shanta Jain and Mrs. Rekha Jain have been engaged in this business for over two decade. Acuité expects GS to continue to benefit from the promoters' ability to leverage their relationship with clients.

- **Efficient working capital cycle**

The firm's working capital operations are efficiently managed as reflected in working capital cycle of 43 days in FY2018 (Provisional) as against 23 days in FY2017. This is on the account of low inventory holding period of 20 days in FY2018 (Provisional) as the firm receives frequent orders making the stock holding period shorter. Gross Current Assets (GCA) days stood at 95 in FY2018 (Provisional) as compared to 67 days in the previous year. Acuité believes that with increasing scale of operations the working capital requirement are expected to increase and reliance on external debt is expected to increase over the medium term.

#### Weaknesses

- **Average financial risk profile**

The financial risk profile of GS is average marked by low net worth of Rs.2.05 crore as on March 31 2018 (Provisional) as against Rs.1.76 times as on March 31 2017. Gearing stood high at 1.90 times as on March 31 2018 (Provisional) as against 1.08 times as on March 31 2017. The total debt of Rs.3.90 crore as on March 31 2018 (Provisional) comprises of working capital borrowings to the tune of Rs.2.66 crore unsecured loans from promoters to the tune of Rs.1.20 crore and vehicle loans to the tune of Rs.0.04 crore. Interest Coverage Ratio stood at 1.93 times in FY2018 (Provisional) as against 1.78 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 3.89 times as on March 31 2018 (Provisional) as against 2.42 times as on March 31 2017.

- **Vulnerability of margins to fluctuations in raw material prices**

The operating profitability is susceptible to volatility in raw material prices of steel. However pricing agreements with customers are reworked and the firm is able to pass on the impact of price fluctuations to its customers. Thus reducing the impact of adverse movement in steel prices to a large extent.

### Outlook: Stable

Acuite believes that GS will maintain a 'Stable' outlook in the medium term owing to the experience of its management in the steel business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues while maintaining its working capital cycle and improving profitability indicators. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and accruals or deterioration in financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.32	28.08	27.24
EBITDA	Rs. Cr.	1.03	0.45	0.45
PAT	Rs. Cr.	0.28	0.08	0.06
EBITDA Margin	(%)	2.99	1.61	1.64
PAT Margin	(%)	0.83	0.28	0.21
ROCE	(%)	19.73	11.58	13.91
Total Debt/Tangible Net Worth	Times	3.89	2.42	3.06
PBDIT/Interest	Times	1.93	1.78	1.62
Total Debt/PBDIT	Times	3.72	4.04	4.06
Gross Current Assets (Days)	Days	95	67	48

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.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	5.00	ACUITE B+ / Stable

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**About Acuité Ratings & Research:**

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