

Press Release

Ganga Steels

December 21, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.00 Cr. (Enhanced from Rs.5.00 crore)
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.10.00 crore bank facilities of Ganga Steels (GS). The outlook is '**Stable**'.

The Rajasthan-based, GS was acquired in 1995 by Mr. Jitendra Jain and family members. GS is engaged in manufacturing of Stainless Steel Patta/Patti. The manufactured product profile has application in manufacturing of utensils and doors, among others.

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 and long track record of the firm**

The rating continues to draw comfort from the longstanding track record of over two decades of the firm in the business. The Partners, Mr. Jitendra Jain, Mrs. Shanta Jain and Mrs. Rekha Jain have been engaged in this business for over two decades.

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 42 days in FY2018 as against 23 days in FY2017. This is on account of low inventory holding period of 20 days in FY2018 as the firm receives frequent orders which makes stock holding period shorter. Gross Current Assets (GCA) stood at 95 days for FY2018 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.1.87 crore as on March 31, 2018 as against Rs.1.76 crore as on March 31, 2017. Gearing stood high at 2.08 times as on March 31, 2018 as against 1.08 times as on March 31, 2017. The total debt of Rs.3.90 crore as on March 31, 2018 comprises 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 1.81 times in FY2018 as against 1.78 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 4.27 times as on March 31, 2018 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

Acuité 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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.32	28.08	27.24
EBITDA	Rs. Cr.	0.96	0.45	0.45
PAT	Rs. Cr.	0.23	0.08	0.06
EBITDA Margin	(%)	2.79	1.61	1.64
PAT Margin	(%)	0.66	0.28	0.21
ROCE	(%)	18.70	11.58	13.91
Total Debt/Tangible Net Worth	Times	2.08	1.08	1.66
PBDIT/Interest	Times	1.81	1.78	1.62
Total Debt/PBDIT	Times	3.96	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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
01-Oct-18	Cash Credit	Long term	5.00	ACUITE B+/ Stable (Assigned)

***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	10.00 (Enhanced from Rs. 5.00 crore)	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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