Press Release

Shree Ganesh Metaliks Limited

24 May, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 265.00 Cr.
Long Term Rating	ACUITE BB/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of '**ACUITE A4+**' **(read as ACUITE A four plus)** to the Rs. 265.00 crore bank facilities of Shree Ganesh Metaliks Limited (SGML). The outlook is **'Stable'.**

Incorporated in 2003, Shree Ganesh Metaliks Limited (SGML) is an Odisha based company engaged in manufacturing of sponge iron and billets with an annual installed capacity of 1,44,000 tonnes and 3,60,000 tonnes respectively. The company also has 32 -MW captive power plant. The company is headed by their director Mr Manoj Kumar Agarwal.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of SGML to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

The company has a long track record of around 15 years in the business of manufacturing sponge iron and billets. Their experience helped the company to establish long term relations with customers and suppliers which is reflected in steady growth in the scale of operations. The company has registered revenues of Rs.367.99 crore in FY2018 as against Rs.262.58 crore in FY2017, marking a y-o-y growth of 40 per cent. Moreover, the company has achieved turnover of Rs.340.85 crore as on 30th November, 2019 (Provisional) on the back of improvement in realisation coupled with increase in capacity utilisation at 50 percent. The company expects to record full year revenues of Rs.550 crore in FY2019. Going forward, the company's ability to improve its scale of operations in a sustainable manner will remain a key sensitivity monitorable.

Ballooning nature of repayment & elongated maturity profile

The second debt resolution plan approved by the lenders is an attempt to align the company's debt servicing obligations to its estimated cash accruals. In order to achieve this objective, the lenders have approved a ballooning payment spread over 12 years i.e upto 2030. The repayment schedule of the continued term loan of Rs. 196 crore has been fixed in 52 structured quarterly instalments beginning from 30th June, 2017. Also in the initial 3 years SGML's annual repayment is significantly low at Rs. 5.60 crore in FY 2018 (2.85 % of continued term debt of Rs. 196.00 crore). Further, the lenders have approved a reduction in interest rate to 9.40 % from existing interest rate of 11 %.

Acuité believes that while the ballooning pattern of repayment and elongated maturity profile should support SGML's credit profile over the medium term. In case of a significant adverse deviation in operational cash flows, the additional cash buffers such as promoter's contribution would provide the necessary support.

Weaknesses

Moderate financial risk profile

The company's financial risk profile is average marked by moderate net worth, high gearing and below average debt protection metrics. The net worth of the company stood at Rs.84.91 crore as on 31 March, 2018 as against Rs.77.22 crore in the previous year. The gearing stood high to 2.77 times as on 31 March, 2018 from 3.29 times in the previous year. Total debt of Rs.235.04 crore as on 31st March'18 consist of Rs. 198.66 crore of long term borrowings, Rs.1.39 crore of unsecured loans from directors and relatives and short term borrowings of Rs 34.98 crore. The debt protection metrics is weak marked by interest coverage ratio (ICR) of 1.35 times in FY2018 and debt service coverage ratio (DSCR) of 0.64 times as on 31st March, 2018.

Working capital intensive nature of operations

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 133 days for FY2018 as against 185 days for FY2017. High GCA days is on account of high inventory of 103 days for FY2018 as against 128 days for FY2017. The debtor days stood at 25 days for FY2018 as against 45 days for FY2017. Further, the working capital intensity is reflected from the almost full utilization of its fund based limit. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

Liquidity Profile

The company has healthy liquidity profile marked by net cash accruals of ~ Rs 10.88 crore during FY 2018 crore against Rs 6.30 crore of debt obligations during the same period. The operations are working capital intensive marked by gross current asset (GCA) days of 133 in FY 2018. The current ratio of the company stands at 1.54 times as on March 31, 2018. Going forward, Acuité believes that the company will be able to generate adequate cash accruals to pay off its debt obligations.

Outlook: Stable

Acuité believes that company will continue to benefit over the medium term from the promoters long experience and restructured debt payment mechanism. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	367.99	262.58	288.05
EBITDA	Rs. Cr.	39.88	23.07	43.78
PAT	Rs. Cr.	2.62	(18.15)	4.03
EBITDA Margin	(%)	10.84	8.79	15.20
PAT Margin	(%)	0.71	(6.91)	1.40
ROCE	(%)	9.70	4.47	19.10
Total Debt/Tangible Net Worth	Times	2.77	3.29	3.14

PBDIT/Interest	Times	1.35	0.71	1.42
Total Debt/PBDIT	Times	5.80	10.67	6.25
Gross Current Assets (Days)	Days	133	185	166

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

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/criteria-default.htm
- Manufacturing Entities -https://www.acuite.in/criteria-infra.htm
- Financial Ratios And Adjustments - https://www.acuite.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BB / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	127.31	ACUITE BB / Stable (Assigned)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	53.34	ACUITE BB / Stable (Assigned)
Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	14.83	ACUITE BB/ Stable (Assigned)
Proposed Long Term facilities	Not Applicable	Not Applicable	Not Applicable	18.02	ACUITE BB/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Assigned)

Contacts

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About Acuité Ratings & Research:
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