

## Press Release

Shree Ganesh Metaliks Limited

March 24, 2022



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.50	-	ACUITE A4   Reaffirmed & Withdrawn
Bank Loan Ratings	248.50	ACUITE B+   Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	265.00	-	-

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE B+**' (read as ACUITE B plus) and the short term rating of '**ACUITE A4**' (read as ACUITE A four) on the Rs.265.00 Cr bank facilities of Shree Ganesh Metaliks Limited (SGML).

The withdrawal is on account of request received from the company and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

### About the Company

Incorporated in 2003, Shree Ganesh Metaliks Limited (SGML) manufactures sponge iron, billets and TMT bars headed by Mr. Manoj Kumar Agarwal. The company has its manufacturing facility at Sundergarh, Odisha, with capacities of about 130,000 MTPA for sponge iron, 182,000 MTPA for billets and 90,000 MTPA for TMT bars. TMT manufacturing was started in Nov, 2020 and the company also has 32 MW power plant for captive consumption.

### Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of SGML to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Experienced management

Promoters of the Company have extensive experience of around two decades in the industry and have gone through multiple business cycles. The promoters also have experience in the production and marketing of TMT bars as well, which is expected to help the company with their recent expansion with installation of the TMT manufacturing plant in FY21. Acuite believes the long experience of promoters has helped to establish an integrated steel plant and the same will support the business, going forward.

## Weaknesses

### Working capital intensive nature of operations

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 122 days as on 31st March 2021 as compared to 133 days as on 31st March 2020. The GCA days decreased majorly due to better inventory management, however the GCA days are high due to high amount of advances to suppliers for raw materials for the integrated steel plant. The inventory holding is comfortable at 79 days in FY21 as compared to 103 days in the previous period. Further, the debtor period also stood comfortable at 21 in FY21 as compared to 15 days in FY20. However, the working capital cycle has elongated in the current financial year.

### Susceptibility to fluctuations in input prices; cyclical and competitive industry

The steel industry in the country is characterized by intense competition and fragmentation, with the presence of a large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry. This restricts the ability of players to pass on any increase in the raw material prices to customers. Hence, any sharp increase in input prices is likely to have a significant impact on the profitability level of the companies.

## Rating Sensitivities

Not Applicable

## Material covenants

None

## Liquidity Position: Adequate

The company's liquidity position is adequate marked by healthy net cash accruals of Rs.29.55 Cr as on March 31, 2021 as against long term debt repayment of Rs.8.76 Cr over the same period. The current ratio improved and stood comfortable at 1.72 times as on March 31, 2021 as compared to 1.41 times as on March 31, 2020. The company has availed Covid loan which is utilised for incremental working capital requirements in the company and hence the fund based limit remained utilised at only 25 per cent over six months ended February, 2022. The unencumbered cash balance stood at around Rs.6.13 Cr as on 31<sup>st</sup> March, 2021. However, SGML had made significant debt funded investments in plant and machinery to be paid off by 2030 along with additional funding availed in FY21 in the form of GECL during Covid-19 pandemic, thus the company has large debt repayment obligations for next ten years.

## Outlook:

Not Applicable

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	568.27	442.53
PAT	Rs. Cr.	20.79	13.00
PAT Margin	(%)	3.66	2.94
Total Debt/Tangible Net Worth	Times	1.64	1.88
PBDIT/Interest	Times	2.20	1.82

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

- CRISIL, vide its press release dated Oct 27, 2021 had denoted the rating of Shree Ganesh Metaliks Limited as 'CRISIL D; ISSUER NOT COOPERATING'.

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

**Note on complexity levels of the rated instrument**
<https://www.acuite.in/view-rating-criteria-55.htm>
**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Nov 2021	Cash Credit	Long Term	35.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	14.83	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	14.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	127.31	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Working Capital Term Loan	Long Term	53.34	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	18.02	ACUITE B+ (Downgraded and Issuer not co-operating*)
10 Aug 2020	Term Loan	Long Term	127.31	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	35.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	14.83	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Working Capital Term Loan	Long Term	53.34	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	18.02	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	14.00	ACUITE A4+ (Issuer not co-operating*)
24 May 2019	Cash Credit	Long Term	35.00	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	127.31	ACUITE BB   Stable (Assigned)
	Working Capital Term Loan	Long Term	53.34	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	14.83	ACUITE BB   Stable (Assigned)
	Proposed Long Term Loan	Long Term	18.02	ACUITE BB   Stable (Assigned)
	Letter of Credit	Short Term	14.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE B+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	18.02	ACUITE B+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	127.31	ACUITE B+   Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	14.83	ACUITE B+   Reaffirmed & Withdrawn
Indian Overseas Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	53.34	ACUITE B+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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