

Press Release

G M Re Rollers

D-U-N-S® Number: 65-072-4933

August 06, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 30.00 crore bank facilities of G M RE ROLLERS. The outlook is '**Stable**'.

G M Re Rollers is a partnership firm established in 1986 by partners Mr. Manmohan Agarwal and Mrs. Lalitha Devi Agarwal. The firm is engaged in manufacturing as well as trading of iron and steel products, such as MS plates, MS Scrap, Bars used for windows, gates etc. The firm has a production capacity of 1200 tons per annum.

Analytical Approach

Acuité has considered the standalone financials of G M Re Rollers to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The firm is managed by Mr. Manmohan Agarwal, who has more than four decades of experience in the steel industry and Mrs. Lalitha Devi Agarwal. The firm established in 1986, currently, has a production capacity of 1200 tons per annum. Partners' longstanding presence and relationship with the stakeholders supported in stable business risk profile with revenues of about Rs.88.0 crores in FY2018 and Rs. 92.0 crores in FY2019 (Provisional).

Weaknesses

• Below-average financial risk profile

The firm's financial risk profile is marked by high gearing and total outside liabilities to tangible network (TOL/TNW) and weak debt protection metrics. Its gearing and TOL/TNW are high at 4.03 and 4.23 times as on March 31, 2018. Net worth is modest at Rs. 8.03 crore in FY2018 as against Rs. 8.34 crore in FY2017. Its debt protection metrics are weak: interest coverage ratio and net cash accruals to total debt are at 1.07 and 0.01 times in FY2018. The firm's cash accruals are expected at around Rs.0.2 crores to Rs.0.9 crore against no repayment obligations which gives adequate cushion on its liquidity. Acuité believes that with modest accruals and no repayment obligations, the financial risk profile is expected to improve marginally over the medium term.

• Working capital intensive operations

The firm's operations are working capital intensive as evident from its Gross Current Assets (GCA) of 185 days as on March 31, 2019 (Provisional) as against 159 days as on March 31, 2018. The firm maintains an inventory of about 10 days and gives credit period of 90-120 days to its customers. Debtor days stood at 157 as on March 31, 2019 (Provisional) as against 150 days as on March 31, 2018. This has led to around 90% utilization of the working capital limits for the past 6 months through 31 March, 2019. With expected increase in revenues, the operations continue to be working capital intensive over the medium term.

• Moderate scale of operations and volatile profitability

The firm's operations are moderate despite presence in the industry for more than three decades. It has reported an operating income of Rs.92.0 crores in FY2019 (Provisional) as against Rs. 88.0 crores in FY2018. Also its margins are volatile owing to fluctuating input prices, and proportion of its trading revenues. Its operating margins though thin are oscillating around 3.5 - 4.5 per cent over the past three years through 2019. Its operating margins for FY2019 are about 3.7 per cent (provisional). Acuite believes that the firm's operations are expected to be at similar levels over the medium term.

Liquidity

Liquidity of the firm is moderate marked by modest cash accruals and no repayment obligations. It has reported cash accruals of Rs. 0.24 crore in FY2018. NCA is expected to be in the range of Rs. 0.2 – 0.9 crores against no repayment obligations over the medium term. The firm's operations are working capital intensive with GCA of 159 days in FY2018; this led to high utilisation of its bank lines at about 90 per cent for 6 months through 31 March, 2019. The firm's current ratio is moderate at 1.2 times as of March 31, 2018. The firm does not have any major debt funded capex plans and Acuite believes that the liquidity continues to be at moderate levels over the medium term.

Outlook: Stable

Acuite believes that G M Re Rollers will maintain 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the firm registers higher than expected growth in its revenues and profitability and improving its capital structure. Conversely, the outlook may be revised to negative in case of any further stretch in its working capital management or larger-than-expected debt-funded capex or any significant withdrawal of capital leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	88.19	94.70	83.31
EBITDA	Rs. Cr.	3.81	3.96	2.87
PAT	Rs. Cr.	0.22	0.24	0.21
EBITDA Margin	(%)	4.32	4.18	3.44
PAT Margin	(%)	0.25	0.25	0.25
ROCE	(%)	9.35	10.46	16.70
Total Debt/Tangible Net Worth	Times	4.03	4.00	3.35
PBDIT/Interest	Times	1.07	1.07	1.09
Total Debt/PBDIT	Times	8.40	8.29	9.14
Gross Current Assets (Days)	Days	159	159	154

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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	28.00*	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00**	ACUITE A4+

*Includes sublimit of ODBD of Rs. 6.00 crores **Includes sublimit of LC of 0.40 crores

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About Acuite Ratings & Research:

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