

Press Release

G M Re Rollers

April 27, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.30.00 crore bank facilities of G M Re Rollers (GMRR).

The rating downgrade is based on the feedback received from GMRR's banker which confirmed that the firm's account has become NPA.

About the Company

G M Re Rollers is a Chennai based, 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..

Analytical Approach

Acuité has considered the standalone business and financial risk profile of GMRR to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experience management**

The promoters of GMRR have been associated with the Iron and Steel industry since 1986. The firm is managed by Mr. Manmohan Agarwal, who has more than four decades of experience in the steel industry. Partners' longstanding presence and relationship with the stakeholders supported in stable business risk profile.

Weaknesses

- **Delay in servicing of bank facilities**

The downward revision in ratings is primarily on account delays in servicing of bank facilities and the classification of the entity as a Non Performing Asset (NPA) account as per the written feedback received from existing lenders.

- **Working capital intensive operations**

The firm's operations are working capital intensive as evident from its Gross Current Assets (GCA) of 204 days as on March 31, 2020 (Provisional) as against 198 days as on March 31, 2019. This is owing to high working capital intensity driven by the high debtor and moderate inventory levels. GMRR reported elongated debtor days of 150-177 and it maintains a moderate inventory of about 5-10 days during the last three years ended with March 31, 2020 (Provisional). This has led to high utilization of its working capital limits about 99-100 percent for the past 6 months ended with August 2020. Its creditor days stood at 6- 29 days during the last three years ended with March 31, 2020 (Provisional).

Liquidity Position: Poor

As per the feedback provided by the firm's banker, they have mentioned that the firm's account has become Non Performing Asset (NPA) account on account delays in servicing of bank facilities.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	94.95	92.09
PAT	Rs. Cr.	0.25	0.24
PAT Margin	(%)	0.27	0.26
Total Debt/Tangible Net Worth	Times	4.12	3.84
PBDIT/Interest	Times	1.09	1.09

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Oct-2020	Cash Credit	Long Term	28.00	ACUITE BB-/ Stable (Reaffirmed)
	Letter of Credit	Long Term	2.00	ACUITE A4+ (Reaffirmed)
06-Aug-2020	Cash Credit	Long Term	28.00	ACUITE BB-/ Stable (Indicative)
	Letter of Credit	Long Term	2.00	ACUITE A4+ (Indicative)
06-Aug-2019	Cash Credit	Long Term	28.00	ACUITE BB-/ Stable (Assigned)
	Letter of Credit	Long Term	2.00	ACUITE A4+ (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	28.00	ACUITE D (Downgraded)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D (Downgraded)

* Sublimit of Cash Credit includes ODBD of Rs.1.00 crore.

Contacts

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About Acuité Ratings & Research:

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