

Press Release

Jai Ganesh Ispat And Ferro Alloys Private Limited

June 21, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.33.00 Cr.
Long Term Rating	ACUITE BBB+/Outlook: Stable (Assigned)
Short Term Rating	ACUITE A2+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and the short term rating of '**ACUITE A2+**' (**read as ACUITE A two plus**) on the Rs.33.00 crore bank facilities of Jai Ganesh Ispat and Ferro Alloys Private Limited (JGIFAPL). The outlook is '**Stable**'.

About the rated entity

Jai Ganesh Ispat and Ferro Alloys Private Limited (JGIFAPL) is a Goa based company, incorporated in 2004. Mr. Siddharth Goyal and his wife Mrs. Sonia Goyal are the directors of the company. The company is engaged in trading of steel and steel products. JGI is the sole authorized distributor for JSW Steel Ltd.'s products in Goa. It has a service centre in Goa named 'JSW Explore' which provides customized sizes of steel products to clients through value-added services such as slitting, cutting, shearing, etc.

About the group Company

Goa-based Ganesh Sales Corporation (GSC) is a proprietorship concern established in 1997. The company was established by Mr. Siddharth Goyal and is engaged in trading of steel and steel products and deal in multiple products.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of JGIFAPL and GSC, hereafter referred to as the Jai Ganesh Group (JGG). The consolidation is mainly on account of similarity in the line of business and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management.**

Jai Ganesh Ispat and Ferro Alloys Private Limited (JGI) is a Goa based company, incorporated in 2004. The company is promoted by Mr. Siddharth Goyal and his wife Mrs. Sonia Goyal and have an experience of over 2 decades in the industry. The company's promoters have been engaged in the steel trading business since 1997 through the group firm, Ganesh Sales Corporation. This has helped the company to establish strong relationships with their suppliers as well as with the customers, which has led to stability in the inflow of orders as well as supply of raw material. The extensive experience of the promoters as well as the established presence that has helped the company to secure distributorship of JSW Steel Limited. Along with acquiring the distributorship of JSW Steel Limited in Goa, the group has also acquired the distributorship rights for the Coastal Maharashtra region i.e. in the district of Sindhudurg, Ratnagiri, Raigad and Kolhapur. Acuité believes that the group will benefit from its experienced management, which helps the company to maintain long-standing relationship with its customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile of the group stood healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.49.16 crore as on March 31, 2021 (Prov.) as against Rs.40.17 crore as on March 31, 2020. The improvement in the net worth is majorly on

account of accretion to reserve. The total debt of the group stood at Rs.33.98 crore includes Rs.3.07 crore of unsecured loans and Rs.30.92 crore of short term debt as on March 31, 2021 (Prov.). The gearing (debt-equity) stood low at 0.69 times as on March 31, 2021 (Prov.) as compared to 0.68 times as on March 31, 2020. Interest Coverage Ratio stood at 6.70 times for FY2021 (Prov.) as against 5.81 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 6.70 times for FY2021 (Prov.) as against 4.76 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.76 times as on March 31, 2021 (Prov.) as against 0.75 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.28 times for FY2021 (Prov.) as against 0.28 times for FY2020.

Acuité believes that the financial risk profile of the group is expected to remain at the same level over the medium term.

Weaknesses

- **Working capital intensive operations**

The operations of group are working capital intensive operations marked by Gross Current Asset (GCA) days of 121 days in FY2021 (Prov.) as against 103 days in FY2020. High GCA days are due to high receivables period of 80 days in FY2021 (Prov.) as against 61 days in FY2020. Inventory days stood at 38 days in FY2021 (Prov.) as against 29 days in FY2020. The average bank limit utilization remained high at around 74 percent for the past trailing 6 months ended March 2021.

Acuité believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

- **Cyclical and competitive nature of steel industry**

The steel long products industry is intensely competitive, with many organized and unorganized players. The performance is linked to the steel industry which is cyclical in nature as well as end user industries such as real estate, infrastructure and construction. However, this risk is mitigated as the infrastructure industry is booming and the demand is much on a higher side backed by government initiatives in current fiscal.

Rating Sensitivities

- Improving scale of operations while improving profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.9.60-7.80 crore during the last three years through 2018-20, while it has no debt obligations over the same period. The net cash accruals are expected to remain in the range of Rs.7.60-10.50 crores through FY2022-24 as against debt repayment obligations of Rs.1.80-2.20 crores over the same period. The group's working capital operation is intensive marked by gross current asset (GCA) of 121 days in FY2021 (Prov.) as against 103 days in FY2020. The group maintains an unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2021 (Prov.). The current ratio of the group stood at 2.18 times as on March 31, 2021 (Prov.). The average bank limit utilization stood moderate at around 74 percent for the last 6 months ended March 2021.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the group achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	217.91	216.89
PAT	Rs. Cr.	8.99	7.25
PAT Margin	(%)	4.12	3.34
Total Debt/Tangible Net Worth	Times	0.69	0.68
PBDIT/Interest	Times	6.70	5.81

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>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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	8.25	ACUITE BBB+/Stable (Assigned)
Electronic Dealer Finance Scheme	Not Applicable	Not Applicable	Not Applicable	18.75*	ACUITE BBB+/Stable (Assigned)
Term Loan	Sept-2020	7.5%	Aug-2024	4.82	ACUITE BBB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.18	ACUITE A2+ (Assigned)

*Includes adhoc limit of Rs.3.75 crore

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 rating.desk@acuite.in
Vishal Kotian Analyst – Rating Operations Tel: 022 49294064 vishal.kotian@acuite.in	

About Acuité Ratings & Research:

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