



**Press Release**  
**JAI GANESH ISPAT AND FERRO ALLOYS PRIVATE LIMITED**  
**January 16, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.00	ACUITE BBB+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-

### Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on Rs.33.00Cr bank facilities of Jai Ganesh Ispat and Ferro Alloys Private Limited ( JGIFAPL). The outlook is '**Stable**'.

#### Rationale for rating upgrade:

Rating upgrade considers JGI group's improved operating performance, healthy financial risk profile and adequate liquidity position. The group has registered revenue of Rs.503Cr during FY23 posting a growth rate of ~70 percent on previous year's revenue of Rs.289.69Cr backed by good demand and improvised sales strategies. The current year's revenue is expected to be in the range of Rs.555 to Rs.565Cr with slight deterioration expected in EBITDA on account of low realisations.

The rating also draws comfort from the healthy financials risk profile and adequate liquidity position of the company. Going forward the group's ability in sustaining the similar growth in revenue while improving the profitability will remain a key monitor able.

### About Company

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

**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 and deal in multiple 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. It operates across multiple sectors ranging from mining, earth moving machines, ships & barges repairs, panel industry, auto manufacturing, white goods, LPG, real estates, hotels, hospitals, MNC, educational institute, airport, national highway, infra projects. The directors have

established a new company namely **JGI Steel Processors Private Limited** during March 2022. The company is fully owned by Mr. Siddharth Goyal and Mrs. Sonia Goyal. The company

is into trading of steel products and an authorized dealer for JSW steel Ltd's products. JGIFAPL does the job work of processing the steel into coils for JGI Steel Processors.

## Unsupported Rating

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered consolidated Business and financial risk profiles of Jai Ganesh Ispat and Ferro Alloys Private Limited and JGI Steel Processors Private Limited, hereafter referred as JGI group. The consolidation is on account of common management and strong operational linkages.

## 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's promoters have been engaged in the steel trading business since 1997. 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 Acuite believes that the group will benefit from its experienced management, which helps the company to maintain long-standing relationship with its customers and suppliers.

#### **Robust revenue growth past three years albeit fluctuating operating margins:**

The group has shown significant growth in revenue over the past three years at a compounded annual growth rate (CAGR) of ~40 percent. The growth in revenue is on account of increase in demand for steel products such as coils, ferros e.tc coupled by promoters' aggressive approach in availing orders. During FY23 the group has reported revenue of Rs.503.05Cr against Rs.289.69Cr of previous year. The operating margin of the group has declined to 4.62 percent in FY23 from 5.73 percent of FY22. The decline in operating margin is on account of drop in realisations. The group has reported sales of ~Rs.319Cr till December 15<sup>th</sup> 2023 and expected to register revenue in the range of Rs.555-565Cr and EBITDA margin is expected to be in the range of 3.8-4.0 percent by the end of the year. PAT margin of the group has improved during FY23 to 4.14 percent against 3.23 percent of previous year's. The improvement is due to sale of real estate flats during the year. However, the PAT levels are expected to come down to previous level as the sale of real estate flats is uncertain during the year on account of low demand. Acuite believes that there will be a slight moderation in the revenue on account of low steel prices.

#### **Healthy financial risk profile**

JGI group's financial profile is healthy as marked by Healthy capital structure, comfortable coverage indicators and healthy liquidity. The group's net worth position stood healthy at Rs 77.88 Cr as on March 31, 2023 as against Rs.57.02 Cr as on March 31, 2022, backed by steady accretion to reserves. JGIFAPL has strategically extended advances amounting Rs.19Cr to its newly established subsidiary company. The capital structure remained healthy with gearing

less than 0.65 times and Total Outside Liabilities to Tangible Net Worth (TOL/ TNW) below 0.99 times for past three years through as on March 31, 2023 due to limited capex requirements and resulting in low external borrowings. The group's coverage indicators are comfortable indicated by interest coverage ratio (ICR) 11.21 times and Net Cash Accruals (NCA)/Total Debt (TD) stood at 0.45 times for FY23 vis-à-vis 0.41 times in FY22. Debt service coverage ratio stood at 5.37 times during FY23 against 6.02 times of previous year. Acuité believes that financial risk profile will remain healthy over the medium term, supported by healthy accrual, nil long-term debt, and adequate liquidity with no significant debt-funded capital expenditure plans in near future.

## **Weaknesses**

### **Moderate intensive working capital operations**

The group's working capital is moderately intensive in nature as reflected by its Gross Current Asset (GCA) days of around 130-95 days during last 3 years ended with as on March 31, 2023. JGI group offers credit period of around 45 -60 days to its customers and makes upfront payment to its suppliers. Its inventory days stood at 15-45 days during last 3 years ended March 31, 2023. All its purchases are against payment only leading to moderate utilisation of its working capital limits at an average of 70-75 per cent for last 6 months ending November 2023. Acuité believes that with competitive and trading nature of operations, the company needs to maintain inventory while offering credit keeps the operations working capital operations moderate intensive in nature.

### **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.

## **Liquidity Position: Adequate**

JGI group's liquidity is adequate marked by adequate net cash accruals to its maturing debt obligations and efficient bank utilisation. The group has generated cash accruals of Rs.22.24 Cr during FY23 against debt repayment obligation of Rs.1.83Cr. The cash accruals are estimated to remain around Rs.19 Cr to 25 Cr during 2024-26 with expected debt repayment obligations in the range of Rs.2.2Cr to 1.9Cr for the same period. JGI group's working capital operations are moderate intensive with GCA of about 94 days in FY23; comfortable cash accruals led to moderate reliance on working capital borrowings at 75 per cent during the last 6 months' period ended November, 2023. JGI group has unencumbered cash and bank balances of Rs.0.07 Cr as on, March 31, 2023. The current ratio stood comfortable at 1.92 times as on March 31, 2023. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against its repayment obligations and its internal accruals and liquid surplus to be sufficient to meet its incremental working capital requirements.

## **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.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	503.05	289.69
PAT	Rs. Cr.	20.81	9.35
PAT Margin	(%)	4.14	3.23
Total Debt/Tangible Net Worth	Times	0.63	0.45
PBDIT/Interest	Times	11.21	8.01

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Dec 2023	Bank Guarantee	Short Term	1.18	ACUITE A4+ ( Issuer not co-operating*)
	Cash Credit	Long Term	8.25	ACUITE BB+ ( Issuer not co-operating*)
	Term Loan	Long Term	4.82	ACUITE BB+ ( Issuer not co-operating*)
	Channel Financing	Long Term	18.75	ACUITE BB+ ( Issuer not co-operating*)
14 Sep 2022	Channel Financing	Long Term	18.75	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.82	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.25	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.18	ACUITE A4+ (Downgraded and Issuer not co-operating*)
21 Jun 2021	Term Loan	Long Term	4.82	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	1.18	ACUITE A2+ (Assigned)
	Channel Financing	Long Term	18.75	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	8.25	ACUITE BBB+   Stable (Assigned)

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.25	ACUITE BBB+   Stable   Upgraded
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	23.75	ACUITE BBB+   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB+   Stable   Upgraded

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)**

- Jai Ganesh Ispat and Ferro Alloys Private Limited.
- JGI Steel Processors Private Limited.



## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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