



SMERA RATINGS LIMITED

G D Metsteel Private Limited (GDMS)

Rating Rationale

January 14, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	15.00	SMERA B-/Stable (Reaffirmed)
Term Loan	5.00	SMERA B-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B-** (read as **SMERA single B minus**)' on the Rs.20.00 crore long-term bank facilities of G D Metsteel Private Limited (GDMS). The outlook is '**Stable**'. The rating is constrained by the company's modest scale of operations and working capital-intensive business. The rating is also constrained by the company's weak financial risk profile. The rating notes that the current management has limited experience in the company's line of business. However, the rating derives comfort from the strong brand of the company. The rating is also supported by improvement in operating profitability of the company.

Update

GDMS reported revenue of Rs.77.85 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.64.52 crore in FY2012-13. The company's operating profit margin increased to 2.66 per cent in FY2013-14 from 0.88 per cent in FY2012-13. GDMS incurred net loss of Rs.0.72 crore in FY2013-14, as compared with net loss of Rs.0.96 crore in the previous financial year. The company's tangible net worth (after adjusting revaluation reserves) stood at Rs.1.59 crore as on March 31, 2014, as compared with Rs.2.31 crore a year earlier. GDMS's debt-equity ratio deteriorated from 8.98 times as on March 31, 2013 to 13.11 times as on March 31, 2014. The company's interest coverage ratio and debt service coverage ratio stood at 0.77 times and 0.69 times respectively in FY2013-14. GDMS's cash credit utilisation is high at ~95 per cent during June 2014 to November 2014.

Outlook: Stable

SMERA believes GDMS will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established brand name. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while maintaining comfortable working capital cycle. The outlook may be revised to 'Negative' in case the company registers sustained losses, or in case of significant deterioration in the company's working capital management and debt protection metrics.

About the company

GDMS, incorporated in 1996, is a Pune-based company engaged in manufacturing of mild steel angles, channels, beams, round bars and flats. GDMS has a manufacturing unit in Daund (Pune), with total installed capacity of 90,000 metric tonnes per annum (MTPA).

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For FY2013–14, GDMS reported net loss of Rs.0.72 crore on total operating income of Rs.77.85 crore, as compared with net loss of Rs.0.96 crore on total operating income of Rs.64.52 crore in FY2012–13. The company registered PAT of Rs.0.35 crore (provisional) on revenues of Rs.52.25 crore (provisional) during April 2014 to September 2014. GDMS's net worth stood at Rs.1.59 crore as on March 31, 2014, as compared with Rs.2.31 crore a year earlier.

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