



Press Release

Global Ispaat Private Limited (GIPL)

September 4, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Facility- Cash Credit	26.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
2.	Long Term Fund Based Facility – Term Loan	13.91	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
3.	Short Term Non Fund Based Facility	13.5	IVR A4+ (IVR A Four Plus)	Assigned
	Total	53.41		

Ratings

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Global Ispaat Private Limited (GIPL) derives comfort from its experienced promoter alongside experienced management team, location specific benefits with strong procurement network, healthy revenue growth and stable EBIDTA margins, Prudent working capital management and an improvement in the capital structure and moderate financial risk profile.

However, the rating strengths are constrained by high competition and cyclicity in the steel industry.

The outlook remains stable due to GIPL's establishing position in the steel industry over the medium term, supported by its promoter's extensive industry experience and establishing long-standing relationship with its client.



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Key Rating Sensitivities

Upward Factors

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics.
- Maintaining unsecured loans in the form of quasi equity at existing levels.

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Deterioration/withdrawal of unsecured loans in the form of quasi equity from existing levels.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced management team

The company is being managed by experienced promoter and directors. Collectively, they have over two decades of experience in the industry and were instrumental in developing the company. Having operated in industry since years now, the management has established a strong network of suppliers and customers. The company has a strong network of 450 dealers in their distribution network. The company has a team of experienced and capable professionals to look after the overall management. The day-to-day operations of the company are looked after by the senior management having considerable experience with technological background.

Location specific benefits with strong procurement network

The company manufactures and sells TMT Bars sources majority of its raw materials from Bellary, Karnataka which is a major hub for sponge iron in India providing the company an edge to procure key raw materials at economical costs. This enables the company to procure raw materials at economical costs and allows the company to build a long-term relationship with its suppliers.



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Healthy revenue growth and stable EBIDTA margins

The company reported healthy revenue of INR 223.90 crore during FY2020 (Provisional). GIPL has achieved continuous growth over the past three years. Its topline is on a steady increase with a CAGR of ~35.00% in the last three years ended FY2020. In FY20 it increased ~6% to INR 223.90 Crore from INR 211.55 Crore FY19 and INR 193.46 Crore in FY18. The growth in total operating income is largely driven by improvement in scale of operations and extensive demand in domestic steel demand scenario. Further, the company has established a good presence in the regions of Goa, Karnataka, Kerala and parts of Maharashtra coupled with promoters' strong relationships established with the supplier and/distribution network over the years which helped the company to increase its scale of operations. With improvement in TOI, absolute EBIDTA and EBIDTA margin has also improved gradually during the aforesaid period enabling the company to stably maintain EBIDTA margins at ~4.00%-5.00%.

Prudent working capital management

The company exhibits prudent working capital management as reflected by its modest inventory and controlled receivables. To fund its working capital requirement the company generates sufficient cash accruals.

Improvement in the capital structure and moderate financial risk profile

GIPL has witnessed gradual improvement in its capital structure over the last three account closing dates backed by infusion of funds in the form of unsecured loans to the tune of INR 23.88 crore during the aforesaid period (FY19-FY20), scheduled repayment of term debt obligations and accretion of profit to net worth. The financial risk profile of the company remained moderate over the years marked by its moderate overall gearing ratio at 1.04x as on March 31, 2020 (1.04x as on March 31, 2019) and moderate debt protection metrics. The debt protection metrics of the company improved and remained moderate marked by interest coverage of 1.76x in FY2020 (FY19: 1.37x). Moreover, the total debt to equity remained at 0.25x as on March 31, 2020 (0.32x as on March 31, 2019). Further, The TOL to TNW stood at 4.90x as on March 31, 2020(FY19: 5.27x, FY18: 7.57x) and TOL to ATNW stood at 1.86x as on March 31, 2020(FY19: 1.72x, FY18: 7.57x).



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Key Rating Weaknesses

High competition and cyclicity in the steel industry

The company is exposed to risks such as global steel industry performance, local regulations/duties, trade wars, etc. However, the company has been able to establish a strong presence with the quality of its products. The steel industry is also cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Stretched

The liquidity position of the company is expected to remain stretched in the near term due to limited liquidity buffer from its working capital limits, with average utilization of 99.75% over the 12 months ended July 2020 due to an increase in receivable and inventory days and modest cash balance of INR 0.15 Cr as on FY20. The company, however, is expected to generate cash accruals in the range of ~INR 4.00-7.00 crore during FY21-23 driven by the steady inflow of orders.

About the Company

Incorporated in 1995, Global Ispaat Private Limited (GIPL) has been formed by Agrawal family. The company started their business with manufacturing of MS Ingots and have since then diversified into manufacturing of TMT bars under the brand name Magna. The plant is located in Salcete South Goa. The total installed capacity is 70000 MT p.a.

Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	211.55	223.90
EBITDA	8.46	10.43
PAT	0.90	2.78



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Total Debt	60.77	40.05
Tangible Net-worth	11.55	14.61
Ratios		
EBITDA Margin (%)	4.00	4.66
PAT Margin (%)	0.43	1.24
Overall Gearing Ratio (x)	5.26	1.04

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Crisil in their press Release dated on May 27, 2020 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	26.00	IVR BB+/Stable Outlook	--	--	--
2.	Term Loan	Long Term	13.91	IVR BB+/Stable Outlook	--	--	--
3.	LC/BG	Short Term	13.5*	IVR A4+	--	--	--

* This facility is interchangeable with CC of Rs 5.00 Crore

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities



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and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	26.00	IVR BB+/Stable Outlook
Long Term Fund Based - Term Loan	-	-	Upto June 2025	13.91	IVR BB+/Stable Outlook
Short Term Non Fund Based – Letter of Credit	-	-	Upto 90 days	7.00*	IVR A4+
Short Term Non Fund Based – Bank Guarantee	-	-	Upto 12 months	6.50	IVR A4+

**This facility is interchangeable with CC of Rs 5.00 Crore*