



Press Release

CG. ISPAT PRIVATE LIMITED

September 15, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.52	IVR BB-/ Stable (IVR double B minus with stable outlook)	Assigned	Simple
Short Term Bank Facilities	17.38	IVR A4 (IVR A four)	Assigned	Simple
Total	52.90 (INR fifty-two crore ninety lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of C.G. Ispat Private Limited (CGIPL) derives comfort from its experienced promoters with established track record, strategic location of plant, and improvement in revenue, profits and GCA. These rating strengths are partially offset by history of past delays, susceptibility of profitability to volatility in raw material prices, exposure to cyclical associated with the steel industry, highly competitive industry, moderate scale of operations, and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals.
- Improvement in the capital structure and debt protection metrics with - overall gearing ratio remaining below 2x.
- Improved working capital cycle with improvement in liquidity.

Downward Factors

- Deterioration in operating income and/or profitability and cash accrual impacting the debt protection metrics and liquidity.
- Elongation in the working capital cycle affecting the liquidity.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with established track record

CGIPL was promoted by Mr. Ravi Vaswani and Yashwant Vaswani. The former promoter is involved in steel industry for the last 32 years and the latter has an experience of around 12 years in the same industry. Mr. Ravi Vaswani along with his family members took over CGIPL in 2014, after which the Company has shown an improvement in their top line and profitability margins.

Strategic location of plant: The manufacturing facility of the company is in Raipur, Chhattisgarh which is known as an industrial steel hub with proximity to raw material sources. Further, the location has a good connectivity with rail and road (factory situated 8km from the main city of Raipur). Hence, proximity of raw material sources, good connectivity, presence in steel belt provide a competitive edge to the company, which reduces the business risk to some extent.

Improvement in revenue, profits and GCA: The Company has improved their key operational metrics on Y-O-Y basis. It recorded a 109% increase in total income in FY22 and the increase in EBIDTA was 48.72% for FY22. It also recorded a 105.07% increase in PAT in FY22.

Key Rating Weaknesses

History of past delays: There were delays in debt-servicing obligations of long-term loans till March 31, 2022, which used to be regularized within 2 to 3 days. However, no delays have been witnessed in any of the loans from April 2022 onwards.

Moderate scale of operations: The Company's scale of operations remained moderate in the last three financial years.

Working capital intensive nature of operations: The operations of the company are working capital intensive as reflected in the elongated operating cycle of 107 days in FY22 though that



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improved from 162 days in FY21. The elongated working cycle is due to its high average inventory holding period.

Susceptibility of profitability to volatility in raw material prices: Raw material (billets and coal) cost accounted for over ~79% of net sales in the last three fiscals. Since raw materials are the major cost driver, the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors

Exposure to cyclicity associated with the steel industry: The domestic steel industry is cyclical in nature which is likely to impact the cash flows of the steel players, including CGIPL. The steel industry is cyclical in nature and has witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. The company's operations are thus vulnerable to any adverse change in the demand-supply dynamics.

Highly competitive industry: The steel industry is highly competitive with presence of many players. The players with high scale of operations generally enjoy better operating margins and interest coverage metrics given the fixed cost intensive nature of the industry. They also have better demand stability, unlike small scale companies like CGIPL

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity: Stretched

The firm's liquidity remains stretched in FY23 as the expected cash accruals of Rs. 2.76 crore are not sufficient to meet the annual debt repayment obligations of Rs. 5.88 crore. GCA of FY24 & FY25 are respectively sufficient to cover the debt repayment obligations of those years. The fund-based limit utilization was on an average of around ~97% for the 12 months



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ended August 2022, which is on the higher side. Current ratio improved to 1.32 in FY22 from 1.14 in FY21. That ratio is expected to remain around 1.5x between FY23 and FY25. This gives some comfort.

The operating cycle has improved from 162 days in FY21 to 107 days in FY22. However, it is still very high between FY23 and FY25. The operating cycle is expected to remain in the range of 104 and 119 days.

About the Company

CGIPL was incorporated in the year 2004, in village Baheshar, Siltara, Raipur. CGIPL is engaged in the manufacturing of MS Beam, Angles, Channels and H-Beams, with an installed capacity of around 60,000 MTPA. The company purchases its coal from SECL and billets from Vaswani industries. CGIPL also works as a conversion agent for Steel Authority of India Limited (SAIL)

The company was acquired by the Raipur based Vaswani group in October 2010. The existing Management has been introducing new sections of its products as per the market demand. Directors of CG Ispat Private Limited are Ravi Kumar Vaswani, Pramod Kumar Vaswani & Yashwant Vaswani.

Financials of CG Ispat Private Limited (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Income	74.53	156.18
EBITDA	5.23	7.78
PAT	1.21	2.48
Total Debt	38.51	57.83
Tangible Net worth	9.97	12.47
EBITDA Margin (%)	7.02	4.98
PAT Margin (%)	1.61	1.58
Overall Gearing Ratio (x)	3.86	4.64

*Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA:

The ratings migrated to Issuer Not Cooperating category from Brickwork Ratings as per press release dated March 04, 2022, on account of non-submission of information needed to conduct the rating exercise.

The ratings remained under Issuer Not Cooperating category from ICRA as per press release dated August 23, 2022, on account of non-submission of information needed to conduct the rating exercise.

Any other information: Nil

Rating History for last three years: (Rs. Crore)

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	19.00	IVR BB-/Stable	-	-	-
2	Guaranteed Emergency Credit Line	Long Term	9.16	IVR BB-/Stable	-	-	-
3	Working Capital Term Loan	Long Term	6.32	IVR BB-/Stable	-	-	-
4	Funded Interest Term Loan	Long Term	1.04	IVR BB-/Stable	-	-	-
5	Bank Guarantee	Short Term	7.38	IVR BB-/Stable	-	-	-
6	Bill Discounting backed with Letter of Credit	Short Term	10.00	IVR BB-/Stable	-	-	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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 1: Details of Facilities

Name of Facility	Date of Issuance	Coup on Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	5.18	IVR BB-/Stable
Cash Credit 2	-	-	-	13.82	IVR BB-/Stable
Guaranteed Emergency Credit Line 1	-	-	October 2024	1.44	IVR BB-/Stable
Guaranteed Emergency Credit Line 2	-	-	March 2026	2.00	IVR BB-/Stable



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Guaranteed Emergency Credit Line 3	-	-	October 2024	3.37	IVR BB-/Stable
Guaranteed Emergency Credit Line 4	-	-	November 2026	2.35	IVR BB-/Stable
Working Capital Term Loan 1	-	-	April 2024	4.44	IVR BB-/Stable
Working Capital Term Loan 2	-	-	August 2023	1.88	IVR BB-/Stable
Funded Interest Term Loan 1	-	-	September 2023	0.65	IVR BB-/Stable
Funded Interest Term Loan 2	-	-	August 2023	0.39	IVR BB-/Stable
Bank Guarantee 1	-	-	-	5.00	IVR A4
Bank Guarantee 2	-	-	-	2.38	IVR A4
Bill Discounting backed with Letter of Credit 1	-	-	-	5.00	IVR A4
Bill Discounting backed with Letter of Credit 2	-	-	-	5.00	IVR A4

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-CGIspt-sep22.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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