



Press Release

GBR Metals Private Limited (GMPL)

January 30, 2025

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complex ity Indicator
Long Term Facilities	72.78 (Enhanced from Rs. 57.00 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed	Simple
Total	72.78 (Rupees Seventy Two crore and Seventy Eight Lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rational

Infomerics has reaffirmed the ratings to the bank facilities of GMPL derive strength from improvement in profitability, albeit decline in revenue in FY24 (period refers from April 01st, 2023, to March 31st, 2024) and extensive experience of the promoters. However, these rating strengths are partially offset by moderate capital structure and debt protection metrics, working capital intensive nature of business, exposure to intense competition and cyclical nature in the steel industry.

The stable outlook of GMPL reflects benefit from experienced promoters' and stable revenue growth and profitability visibility.

Key Rating Sensitivities:

Upward Factors

- Significant & sustained increase in scale of operations with improvement in profitability and debt protection metrics.
- Improvement in the capital structure marked by improvement in leverage ratios.



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Downward Factors

- Substantial decline in the revenue and profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improvement in profitability, albeit decline in revenue in FY24**

Total operating income of GMPL's has decreased by ~38% to Rs.409.55 crore in FY24 (P.Y.: Rs.659.19 crore) due to lower realisation. However, notwithstanding the dip in revenue, absolute EBITDA has remained stable at Rs.17.06 crore in FY24 (P.Y.: Rs.17.74 crore), mainly due to acquisition of raw materials at low prices. Moreover, the EBITDA margin has also improved to 4.16% in FY24 as compared to 2.69% in FY23. Aided by rise in EBITDA margin, the PAT margin also improved to 1.28% in FY24 as compared to 1.08% in FY23. GMPL has achieved total operating income of Rs. 263.15 crore during 8MFY25, and Infomerics expects revenue to remain stable during FY25 with stable realisations.

- **Extensive experience of the promoters**

The promoters of the company have four decades of experience in the iron & steel industry. Mr. Bansilal Rathi was engaged in the manufacturing and trading of TMT bars since 1978. Mr. Venkatesh Rathi also has around 18 years of experience in the industry.

Key Rating Weaknesses

- **Moderate capital structure with debt protection metrics**

The company's capital structure has marginally deteriorated, however remained moderate with overall gearing on adjusted tangible net worth stood at 1.44x in FY24 (P.Y.: 1.20x) mainly due to higher utilisation of working capital limits and increased in unsecured loans. However, TOL/ATNW has marginally improved and remained moderate at 2.50x in FY24 (P.Y.: 3.00) due to improvement in sundry creditors.

- **Working capital intensive nature of business**



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The operations of GMPL are working capital intensive on account of high inventory period 76 days since the company makes back-to-back purchase of billets / steel scrap to reduce the volatility of raw material. Also, average collection period stood at 52 days in FY24 (P.Y.: 34 days) resulting in higher operating cycle which increased and stood at 93 days (P.Y.: 46 days). Moreover, the average working capital utilization remained high at ~92% for the past twelve months ended November 2024. Further, the operating cycle has increased and stood at 93 days (P.Y.: 46 days).

- **Exposure to intense competition**

GMPL, operating in a highly fragmented industry, is exposed to intense competition from several established and small billet/TMT manufacturers. This restricts its pricing flexibility to an extent, making GBR's operating margins vulnerable to any fluctuation in raw material prices.

- **Cyclical in the steel industry**

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including GMPL. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity – Adequate

The liquidity of the company is expected to remain adequate marked by expected sufficient cash accruals as against its debt repayment obligations. The free cash and cash equivalents balance stood at Rs. 0.05 crore as on March 31, 2024, while average working capital utilisation for the 12 months ended November 2024 remained highly utilized at ~92% (funded). Current ratio stood at 1.58x as on March 31, 2024.

About the Company

GMPL was incorporated in the year 2006. The company is engaged in manufacturing and trading of Thermo Mechanical Treatment (TMT) bars and Mild Steel billets (MS billets). During the year 2006, the promoters acquired an existing iron and steel rolling plant at Peravallur near Chennai in order to venture into manufacturing of steel products and formed GMPL.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	659.19	409.55
EBITDA	17.74	17.06
PAT	7.15	5.26
Total Debt	66.78	89.16
Tangible Net Worth	40.42	46.81
EBITDA Margin (%)	2.69	4.16
PAT Margin (%)	1.08	1.28
Overall Gearing Ratio (x)	2.02	2.23
Interest Coverage (x)	2.11	1.81

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Brickwork ratings vide its press release dated October 01, 2024, has continued to classify the ratings of the company under Issuer Non-Cooperating category on account of non-submission of relevant information.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security /Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					December 05, 2023	December 20, 2022	-
1.	GECL	Long Term	2.78	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Stable	-
2.	Cash Credit	Long Term	70.00 (Enhanced from Rs. 45.00 crore)	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Stable	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	Upto December 2026	2.78	IVR BBB-/ Stable
Cash Credit	-	-	-	-	70.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GBR-Metals-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable

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.