



Press Release

GBR Metals Private Limited

December 05th, 2023

Ratings

Instrument / Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based Bank Facilities	51.44 (Reduced from Rs.57.00 crore)	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Revised	Simple
Long Term Fund based Bank Facilities – Proposed Cash Credit	5.56	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Total	Rs.57.00 Crore (Rupees Fifty-seven crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating to the bank facilities of GBR Metals Private Limited considers significant growth in the revenue during FY23 with improvement in credit for 1HFY24 and expectations of maintenance of credit profile through FY24-FY26 with focus on only manufacturing operations. The ratings continue to derive strength from extensive experience of the promoters, significant growth in the scale of operations in FY23 and comfortable capital structure; However, the rating strengths are partially offset by moderate working capital cycle, and thin profitability.

Key Rating Sensitivities:

Upward Factors

- Sustained increase in revenues while maintaining margins above 3%.
- TOL/TNW remaining below 2x on a sustained basis.

Downward Factors

- Any declined in revenue and profitability and/or any deterioration in working capital cycle leading to TOL/TNW increased above 4x on a sustained basis.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

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.

Significant growth in the scale of operations in FY23

GBRMPL's revenue increased by 42% to Rs. 659.19 crores in FY23 compared to FY22, this growth is driven by increased in volume and realization, as well as a higher contribution from trading activities. Revenue from trading activities, particularly from MS Scrap has increased by almost 200% in FY23 due to major shift of the worldwide focus of the steel processing industry from the European market to the Indian market owing to the aftermath of the Russia-Ukraine war. As per management now the company will not do any trading activities from FY24 onwards due to lower margins. However, GBRMPL will maintain steady growth in revenues with demand from construction activities.

Comfortable capital structure

The overall gearing has improved to 1.20x in FY23 from 1.36x in FY22, owing to an increase in the tangible net-worth base on the back of accretion of profits coupled with an increase in the quasi equity from Rs.12.00 crore in FY22 to Rs.15.00 crore in FY23. Moreover, the unsecured loans from promoters & related parties have been continuously increasing over FY20-FY23, thereby implying an increased and a continuous funding support of the promoters & related parties towards the operations of the company. TOL/TNW (including quasi equity) has marginally increased to 3.00x in FY23 from 2.62x in FY22 due to company has procure the raw material at the end of the FY23 resulted into increase in outstanding creditors to Rs.64.72 crore as compared to Rs.27.16 crore in FY22.



Press Release

Key Rating Weaknesses

Moderate working capital cycle

The collection period of GBRMPL improved from 41 days in FY22 to 34 days in FY23 owing to an improvement in the collection efficiency on the back of a significant increase in the scale of operations in FY23. However, the inventory holding period stood almost stable at 38 days in FY23 as against 34 days in FY22, whereas the creditors' days also elongated marginally from 16 days in FY22 to 26 days in FY23 due to increase in outstanding creditors at the end of FY23. Given all of the above, the operating cycle stood moderate and improved from 59 days in FY22 to 46 days in FY23.

Thin Profitability

GBRMPL's EBITDA margin remained thin and declined to 2.69% in FY23 from 3.76% due to higher proportion of trading revenue in the overall revenue. However, management has decided to conduct trading activities in other group companies and from FY24 onwards the company will only do manufacturing activities which would result in stable margins in the range of 3.7%-4% which can be reflected by 7MFY24 where GMPL has earned EBITDA margins of 3.7%.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

Adequate liquidity is marked by moderate gross cash accruals of Rs.9.30 crore in FY23, against repayment obligations of Rs. 3.11 crore for the same period. The average working capital utilisation of the fund-based limits for the 12 months ended October 2023 remained high at around 88%. The increase in working capital requirements were met through ad hoc limits of Rs.7.00 crore provided by the existing lender time to time.



Press Release

About the Company

GBRMPL 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 GBRMPL.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	464.74	659.19
EBITDA	17.48	17.74
PAT	6.57	7.15
Total Debt	61.77	66.78
Adjusted Tangible Net-Worth (including Quasi Equity)	45.27	55.42
Ratios		
EBITDA Margin (%)	3.76	2.69
PAT Margin (%)	1.41	1.08
Overall Gearing Ratio (including Quasi Equity) (x)	1.36	1.20

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickworks Ratings in its press release dated September 29, 2023, has downgrade the ratings for the bank loan facilities of GBR Metals Private Limited and moved to "ISSUER NOT COOPERATING" category on account of non-availability of information.

CARE Ratings in its press release dated July 11, 2023, has reaffirm the ratings for the bank loan facilities of GBR Metals Private Limited and continued under "ISSUER NOT COOPERATING" category on account of non-availability of information.

Any other information: None



Press Release

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (December 20 th , 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund based Bank Facilities	Long Term	51.44 (Reduced from Rs.57.00 crore)	IVR BBB- / Stable	IVR BB+ / Stable	-	-
2.	Long Term Fund based Bank Facilities – Proposed Cash Credit	Long Term	5.56	IVR BBB- / 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.



Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term fund based – BGECLS	-	-	September 30 th , 2024	2.44	IVR BBB-/ Stable Outlook
Long term fund based – BGECLS 1.0 Extension	-	-	December 31 st , 2026	4.00	IVR BBB-/ Stable Outlook
Long term fund based – Cash Credit	-	-	Revolving	45.00	IVR BBB-/ Stable Outlook
Long term fund based – Proposed Cash Credit	-	-	-	5.56	IVR BBB-/ Stable Outlook
Total				57.00	

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GBR-dec23.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities



Press Release

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.

