



## Press Release

### Ganga Iron & Steel Trading Company Limited

September 24, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	45.14 (reduced from Rs. 57.95 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating reaffirmed	Simple
<b>Total</b>	<b>45.14 (INR forty-five crore and fourteen lakhs only)</b>				

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 Rationale

The reaffirmation of the long-term rating assigned to the bank facilities of Ganga Iron & Steel Trading Company Limited (GISTCL) considers long track record of operations and experienced promoters, established relationship with the suppliers and customers. Further, the rating continues to derive strength from comfortable capital structure and adequate debt protection metrics and efficient working capital management. However, these rating strengths are constrained due to thin profitability margin owing to trading nature of business and Intense competition and inherent cyclical nature of steel industry.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BBB-/ Stable' assigned to the GECL loan of GISTCL with immediate effect. The withdrawal has been taken at the request of GISTCL and 'No objection Certificate' received from the bank, Union Bank of India that had extended the facilities rated by Infomerics. The rating is withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Sustenance of the capital structure and further improvement in debt protection metrics.

#### **Downward Factors**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Moderation in capital structure with overall gearing ratio and interest coverage.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Long track record of operations and experienced promoters**

Ganga Iron & Steel Trading Company was founded as a proprietorship firm in 1991 by Late Shri Omprakashji Agrawal in Nagpur. The directors of the company Mukesh Agarwal has nearly 3 decades of experience in the iron and steel trading followed by Mr. Kaushik Agarwal having more than 5 years of experience.

##### **Established relationship with the suppliers and customers**

GISTCL has developed a strong relationship with its suppliers, which ensures regular supply of traded steel at discounted price GISTCL is the Authorised Distributor for SAIL (Steel Authority of India), RINL (Rashtriya Ispat Nigam Limited), Jindal Steel & Power Limited JSW Steel Limited and ESSAR Steel (Stecol International Private Limited) providing comfort for sale under one roof and product diversity. The client list includes names likes KEC International Limited, Diffusion Engineering Limited etc. The reputed client base helps the company in reducing counterparty risk to a large extent.

##### **Comfortable capital structure and adequate debt protection metrics**



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The company's capital structure remains comfortable with its satisfactory tangible net worth base of Rs.64.20 crore as on March 31, 2024 (Prov.). Further, the overall gearing ratio stood in similar level at 0.97x in FY 24(Prov.) (FY24 refers to period April 1st, 2023, to Mar 31, 2024) and FY23 (refers to period April 1st, 2022, to Mar 31, 2023). Also, debt to equity ratio improve to 0.11 in FY24 (Prov.) as against 0.15 in FY23. The overall indebtedness of the company marked by adjusted TOL/TNW deteriorated to 1.32x in FY24(Prov.) from 1.23x in FY23 due increase in working capital borrowings to Rs.55.25 crore in FY24 from Rs.47.88 crore in FY23 that led to increase in total outside Liabilities. The Debt protection metrics marked by interest coverage ratio stood comfortable at 2.26x in FY24 (Prov.) as compared to 1.64x in FY23 due to increase in operating profit. Total debt/ EBITDA improved to 4.71x in FY24 (Prov.) as compared to 5.96x in FY23. Also, Total debt/ NCA improved to 8.64x in FY24 (Prov.) as compared to 12.67x in FY23. Further, DSCR remained satisfactory at 1.61x in FY24 (Prov.) as against 1.28x in FY23.

### **Efficient working capital management**

The working capital management of the company is efficient marked by the comfortable operating cycle, which stood at 54 days in FY24(prov.) as against 50 days in FY23 led by the moderation in average collection period to 39 days in FY24(prov.) from 29 days in FY23. The operating cycle is predominantly driven by the low debtor and inventory level during the same period. The working capital management of the company will remain at similar levels over the medium term owing to the nature of the industry

### **Key Rating Weaknesses**

#### **Thin profitability margin owing to trading nature of business**

The profitability margin of the company remains thin due to trading nature of the business where the profit margins are susceptible to raw material prices and highly competitive nature of industry. Consequent to which operating profitability has largely trickled down to the net profit levels. The EBITDA margin stood low at ~1.66% in FY2023 to ~2.39% in FY2024(Prov.). The PAT margins also remained thin at 1.12% in FY2024(Prov.) from 0.69% in FY2023 respectively.



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### **Intense competition and inherent cyclical nature of steel industry**

The firm is exposed to intense competition in the steel sector due to the presence of a large number of unorganised players on account of low entry barriers with little technology intensity and limited differentiation in end products. Demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the firm's business risk profile is exposed to the inherent cyclical nature in these sectors

**Analytical Approach:** Standalone.

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

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

[Default recognition policy](#)

[Policy On Withdrawal of Ratings](#)

### **Liquidity – Adequate**

The liquidity profile of the company is expected to be adequate driven by its healthy expected gross cash accruals ranging from~ Rs.6.00 crore to Rs.7.00 crore during FY25- FY27 which should be sufficient to service its debt obligation during the same period. However, its working capital limits remained at 81% during the past twelve months ended August 2024 indicating moderated liquidity buffer. Further, absence of any capex plans provides further cushion to the liquidity position.

### **About the Company**

Ganga Iron & Steel Trading Company Limited (GISTCL) is located in Nagpur, Maharashtra. GISTCL originally was formed as a proprietorship firm in 1991 by Late Shri Omprakashji Agrawal and was converted into Limited company on June 3, 2008. GISTCL is engaged in the



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trading and distribution of steel products like Angles, Beam, Channel, TMT, Wire rod, CR Coil, GC Sheet etc. The company has 6 warehouses namely in Durgapur, Vishakhapatnam, Mumbai, Pune and two warehouses in Nagpur. GISTCL is the Authorised Distributor for SAIL (Steel Authority of India), RINL (Rashtriya Ispat Nigam Limited), Jindal Steel & Power Limited JSW Steel Limited and ESSAR Steel (Stecol International Private Limited). The company supplies the products PAN India and trades in around 700 SKUs.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	568.27	551.32
EBITDA	9.45	13.20
PAT	3.96	6.21
Total Debt	56.35	62.12
Tangible Net Worth	57.99	64.20
EBITDA Margin (%)	1.66	2.39
PAT Margin (%)	0.69	1.12
Overall Gearing Ratio (x)	0.97	0.97
Interest Coverage (x)	1.64	2.26

\*Classification as per Infomerics' standards.

### Status of non-cooperation with previous CRA:

Brickwork Rating has maintained the rating of GISTCL into the Issuer Non-Cooperating category on account of information risk in the rating procedure despite repeated follow ups as per the Press Release dated May 21, 2024.

Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 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	
					August 1, 2023	-	-	



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Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 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	
1.	GECL 2	Long Term	3.14	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-	
2.	Cash Credit	Long Term	42.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-	
3.	GECL 2 Ext.	Long Term	-	Withdrawn	IVR BBB-/ Stable	-	-	

### Analytical Contacts:

Name: Sandeep Khaitan

Tel: (033)- 46022266

Email: [Sandeep.khaitan@infomerics.com](mailto:Sandeep.khaitan@infomerics.com)

### 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.

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### Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL 2	-	-	-	December 2026	3.14	IVR BBB-/ Stable
Cash Credit	-	-	-	-	42.00	IVR BBB-/ Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Gangalron-sep24.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](http://www.infomerics.com).