Geetai Steels Private Limited (GSPL)

January 21, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	180.18	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	30.00	IVR A3+ (IVR Single A 3 Plus)	-	Rating Assigned	Simple
Long Term Bank Facilities-Proposed	75.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Rating Assigned	Simple
Total	**285.18**	**(Rupees Two hundred Eighty-Five crores and Eighteen lakhs 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 Rationale

Infomerics Ratings has assigned its rating to the Bank facilities of GSPL as it derives comfort from improved operating profile along with improvement in credit profile, efficient working capital cycle, extensive experience of promoters and established track record in the industry and location specific benefits. However, the ratings are partially set off due to intense competition, susceptibility to volatility in raw material prices and cyclicality in the steel industry.

The outlook is assigned 'Stable' as IVR expects the sustainability of strong operating performance leading to maintenance of strong credit profile during FY25-27.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the scale of operations profit margins

Downward Factors

- Decline in scale of operations leading to decline in profits and profit margins.
- Any unplanned debt funded capex leading to deterioration in capital structure due to increase in leverage

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improved operating profile:

GSPL's revenue improved at ~4% on y-o-y basis to Rs. 882.71 crore in FY24 (period refers from April 01, 2023, to March 31, 2024) as against Rs.849.44 crore in FY23 on account increased production backed by increase in installed capacity through modifications in existing capacities. While EBITDA margins improved to 6.41% in FY24 (FY23: 5.30%) due to higher proportion of high-grade products in the overall revenue, the PAT margin also improved and stood at 1.39% in FY24 against 0.52% in FY23. During H1FY25, GSPL has reported revenue of Rs.412.88 crore and EBITDA margins further improved to 7.90%. Ability to sustain these EBITDA margins at the current levels while maintaining steady growth in revenue would be a key monitorable.

Comfortable capital structure and debt protection metrics:

The capital structure as indicated by overall gearing improved to 1.86x in FY24 as against 2.26x as on FY23 due to decrease in total debt. The total indebtedness represented by TOL/ATNW stood moderate at 2.21x as on March 31, 2024, against 2.60x as on March 31, 2023, due to slight increase in outside liabilities along with increased net worth. GSPL has reported an adjusted net worth of Rs.99.95 crore as on March 31, 2024, as against Rs.87.65 crore as on March 31, 2023, with increase in operating profits. The debt coverage indicators as indicated by interest coverage ratio and total debt to gross cash accruals ratio improved and stood at 2.25x and 5.96x respectively in FY24 {FY23: 2.10x and 7.30x respectively} due to marginal increase in interest cost backed by increase in EBITDA.

IVR expects the capital structure and debt protection metrics to remain strong during FY25-FY27.

Efficient working capital cycle:

GSPL's working capital cycle remained efficient marked by its operating cycle of around 56 days FY24 as against 51 days in FY23. The working capital turnover ratio slightly improved to 5.71x in FY24 from 6.61x in FY23. GSPL maintained an average inventory of around 36 days in FY24 while the average collection period was 21 days in FY24. Creditor days were 2 in FY24.

Extensive experience of promoters and established track record in the industry:

GSPL has an established track record of 2 decades in the industry, while its promoters are having more than 2 decades of experience in the steel industry. The promoters are supported by experienced management team. GSPL is promoted by Mr. Anil Agarwal and Mr. Uttam Agarwal having vast experience in manufacturing of steel products. There are other members in the team who are highly qualified & experienced, adding credence & professionalism in the governance of the company.

Location specific benefits:

The manufacturing facility is located at Jalna, Maharashtra, where there is ample availability of raw material like MS Scrap and Sponge Iron. This enables the company to procure raw materials at economical costs and allows the company to build a long-term relationship with its suppliers. Further, the manufacturing facility of the company is well connected through road/rail.

Key Rating Weaknesses

Project Execution Risk:

GSPL is planning a capex of Rs 108.16 Cr during FY25- FY26 which is proposed to be funded through promoter’s contribution of Rs.33.16 Cr and term loans of Rs 75.00 crores. Successful execution and implementation of the planned capex by FY26 would benefit GSPL in improving the scale of operations and overall financial profile. However, the execution and completion of the planned capex remains a key monitorable.

Susceptibility to volatility in raw material prices:

The major raw material for the company is scrap, sponge iron and pig iron, the prices of which remain volatile. Any sharp change in the prices may have a bearing on the operating margins of the company. Furthermore, the domestic steel prices are currently hovering around a marginal discount to international prices, as domestic steelmakers believe any further increase in the prices may weigh down their domestic sales volumes.

Intense competition:

The steel manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including GSPL.

Exposure to intense competition and cyclicality in the steel industry:
The steel industry, especially long steel products, is highly fragmented; the consequent intense competition may continue to constrain scalability, pricing power and profitability. Furthermore, as demand for steel is closely linked to the economic activity, players remain exposed to cyclicality in demand and realisations. Operations are also 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 and post default curing period
Complexity Level of Rated Instruments/Facilities

Liquidity –Adequate
The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations through FY25-FY27. Further, the company had gross cash accruals of Rs.31.01 Crore in FY24. Cash and Cash equivalent amounted to Rs.8.36 Crore as on 31st March 2024. The average fund-based utilisation stood at ~90% for 12 months ended November 2024. The current ratio stood at 1.40x as on 31st March 2024.

About the Company
Geetai Steels Private Limited (GSPL) has its registered office and manufacturing facilities at Jalna (Maharashtra) and engaged in the business of manufacturing of TMT Bars and Billets. The Company was incorporated by Mr. Anilkumar Agrawal & Mr. Uttam Agrawal & family in the year 2009. The company offers a wide range of products for the construction and infrastructure Industry. The range begins with intermediate products like billets and end products like TMT bars used in the construction industry. The company's marketing of its products is backed up by well diversified dealers/ distributors network spread across states and all the sales are routed through dealers across India.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	849.44	882.71
EBITDA	44.99	56.60
PAT	4.43	12.31
Total Debt	198.14	184.83
Adjusted Tangible Net Worth	87.65	99.95
EBITDA Margin (%)	5.30	6.41
PAT Margin (%)	0.52	1.39
Overall Gearing Ratio (x)	2.26	1.85
Interest Coverage (x)	2.10	2.25

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Nil

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
1.	Term Loan	Long Term	80.18	IVR BBB/ Stable	--	--	--
2.	Cash Credit	Long Term	100.00	IVR BBB/ Stable	--	--	--
3.	Proposed	Long Term	75.00	IVR BBB/ Stable	--	--	--
4.	Bank Guarantee	Short Term	30.00	IVR A3+	--	--	--

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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.

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
Term Loan	--	--	--	Up to 2029	80.18	IVR BBB/ Stable
Cash Credit	--	--	--	Revolving	100.00	IVR BBB/ Stable
Proposed Term Loan	--	--	--	--	75.00	IVR BBB/ Stable
Bank Guarantee	--	--	--	--	30.00	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-GSPL-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.