

Garg Industries Limited

Instrument	Amount	Rating Action
	In Crore ¹	May 2016
Fund based limits	22.0	[ICRA]BB (Stable) <i>assigned</i>
Non-Fund based limits	2.0	[ICRA]A4 <i>assigned</i>
Total	24.0	

ICRA has assigned a long term rating of [ICRA]BB (pronounced as ICRA double B) to the Rs. 22.0 crore fund based bank limits of Garg Industries Limited (GIL)². The outlook on the long term rating is Stable. ICRA has also assigned a short term rating of [ICRA]A4 (pronounced as ICRA A four) to the Rs. 2.0 crore non-fund based limits of GIL.

The assigned ratings take into consideration GIL's experienced management with a long track record of operations in the steel industry, the company's established presence of over two decades, and long relations with key customers, primarily in the cycle industry in Ludhiana. The ratings also factor in the comfortable capital structure of the company as reflected by gearing of 1.0 times as on March 31, 2016. However on account of moderate profitability, driven by low value additive nature of operations, the debt coverage indicators have been modest as indicated by interest coverage of 1.6 times, net cash accruals/total debt of 8% and total debt/OPBDITA of 4.5 times as on March 31, 2016. The ratings are also constrained by high working capital intensity of the business on account of high inventory level and low credit period from suppliers, which has translated into consistently high working capital limit utilization. The ratings also factor in GIL's exposure to the cyclicity associated with the steel industry.

About the company:

Garg Industries Limited (GIL) was incorporated in 1991 and is engaged in manufacturing of wire rods from steel billets with a total installed capacity of 36,000 MTPA. The manufacturing facility of the company is located at Ludhiana. The company is promoted by the Garg family of Ludhiana – Mr. N.D. Garg, Mr. Vinod Garg and Mr. Balraj Garg. The promoters of the company have promoted two other companies- Raipur Power and Steel limited (RPSL)³ and Parth Concast Limited (PCL)⁴. RPSL is engaged in manufacturing of sponge iron, ferro alloys, wire rods and HB wires in Durg, Chattisgarh, while PCL is engaged in manufacturing of billets from sponge iron with its manufacturing facilities located adjacent to those of RPSL in Durg, Chattisgarh.

Recent Results:

GIL reported a net profit of Rs. 0.9 crore on an operating income of Rs. 111.3 crore for the year ended March 31, 2016 (provisional) as against a net profit of Rs. 0.9 crore on an operating income of Rs. 108.2 crore for the year ended March 31, 2015.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

³ Rated [ICRA]BBB (stable)/A3+

⁴ Rated [ICRA]BB+ (stable)



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