

August 22, 2017

## Gold Star Steels (P) Limited

### Summary of rated instruments

Instrument <sup>^</sup>	Rated Amount (Rs. crore)	Rating Action*
Fund-based Limits	5.50	[ICRA]D ISSUER NOT COOPERATING; Rating moved to the 'Issuer Not Cooperating' category
Non-fund based Limits	3.00 (includes Rs. 0.50 crore untied limit)	[ICRA]D ISSUER NOT COOPERATING; Rating moved to the 'Issuer Not Cooperating' category
<b>Total</b>	<b>8.50</b>	

\* Issuer did not co-operate; based on best available information

<sup>^</sup>Instrument Details are provided in Annexure-1

### Rating action

ICRA has moved the ratings for the Rs. 8.50-crore bank facilities of Gold Star Steels (P) Limited (GSSPL) to the 'Issuer Not Cooperating' category. The ratings are now denoted as: "[ICRA]D / [ICRA]D ISSUER NOT COOPERATING".

### Rationale

The ratings are based on limited updated information on the entity's performance since the time it was last rated in February, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with GSSPL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

### Key rating drivers

#### Credit strengths

- **Long operational track record of the company in the steel industry** – The company has been involved in the steel product manufacturing business for around two decades. GSSPL is located in the steel rich region of Chhattisgarh and has easy access to raw materials such as pig iron, sponge iron, wire rod and mild steel scrap.

#### Credit weaknesses

- **Stretched liquidity position led to irregularity in debt servicing by the company in the past** – Previously, a major portion of the company's turnover used to be derived from its erstwhile group company Orissa Concrete & Allied Industries Ltd. (OCAIL). Since FY2016, GSSPL faced a steep de-growth in its scale of operation as a result of decline in the flow of orders from OCAIL which had been passing through a challenging business scenario. This aggravated GSSPL's liquidity position, resulting in irregularity in debt servicing by the company in the past. ICRA notes that, subsequent to the change in GSSPL's ownership and management in the recent past, the company's client profile has got diversified.

- Exposure to the cyclical nature associated with the steel industry, which is likely to keep GSSPL's profitability and cash flows volatile** – Given the cyclical nature inherent in the steel industry, the company would remain exposed to the volatility in the prices of raw materials and finished products. Moreover, the demand scenario in the steel industry continues to remain weak, which may affect GSSPL's performance in the near to medium term. The company's limited ability to pass on price fluctuations to its customers in an intensely competitive industry leaves its profitability vulnerable to steel price trends.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

Corporate Credit Rating Methodology  
Entities in the Ferrous Metals Industry

**About the company:**

GSSPL was incorporated in 1992 by the Raipur-based Agarwal family. However, the company has been taken over by the Vaswani family in the recent past. GSSPL has facilities for manufacturing high tension steel (HTS) wire, inserts and insular caps with annual capacities of 7,200 metric ton (MT), 50.00 lakh units and 18.00 lakh units respectively.

**Key Financial Indicators**

	FY2014	FY2015*
Operating Income (Rs. crore)	31.10	35.13
PAT (Rs. crore)	0.02	0.29
OPBDIT/ OI (%)	2.96%	3.85%
RoCE (%)	6.47%	9.71%
Total Debt/ TNW (times)	3.52	2.83
Total Debt/ OPBDIT (times)	14.60	8.57
Interest coverage (times)	0.78	1.13
NWC/ OI (%)	42%	36%

*OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);*

*NWC: Net Working Capital*

\*Unaudited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:  
Table:**

S.No	Instrument	Current Rating (2017)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016		Date & Rating in FY2015
					August 2017	-	February 2016	May 2015	-
1.	Cash Credit	Long Term	5.50	Not available	[ICRA]D ISSUER NOT COOPERATING*	-	[ICRA]D	[ICRA]B+	-
2.	Letter of Credit	Short Term	1.50	Not available	[ICRA]D ISSUER NOT COOPERATING*	-	[ICRA]D	[ICRA]A4	-
3.	Bank Guarantee	Short Term	1.00	Not available	[ICRA]D ISSUER NOT COOPERATING*	-	[ICRA]D	[ICRA]A4	-
4.	Untied Limit	Short Term	0.50	Not applicable	[ICRA]D ISSUER NOT COOPERATING*	-	[ICRA]D	[ICRA]A4	-

\* Issuer did not co-operate; based on best available information

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple," "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1  
Instrument Details**

<b>Name of the instrument</b>	<b>Date of Issuance/ Sanction</b>	<b>Coupon Rate</b>	<b>Maturity</b>	<b>Amount Rated (Rs. crore)</b>	<b>Current Rating and Outlook</b>
Cash Credit	-	-	-	5.50	<b>[ICRA]D ISSUER NOT COOPERATING*</b>
Letter of Credit	-	-	-	1.50	<b>[ICRA]D ISSUER NOT COOPERATING*</b>
Bank Guarantee	-	-	-	1.00	<b>[ICRA]D ISSUER NOT COOPERATING*</b>
Untied Limit	-	-	-	0.50	<b>[ICRA]D ISSUER NOT COOPERATING*</b>

Source: Gold Star Steels (P) Limited

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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