

Press Release

Radiant Industries

November 05, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 10.50 Cr. (enhanced from 5.50 crore)
Long-term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE B**' (**read as ACUITE B**) on the Rs.5.50 crore bank facilities of Radiant Industries (RI). The outlook is '**Stable**'.

Further, Acuité has assigned the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the enhanced facility of Rs.5.00 crore bank facilities of RI. The outlook is '**Stable**'.

The upgrade is driven by consistent growth in scale of operations and timely completion of major capital expenditure. Acuité believes that, going ahead, the ability of Radiant Industries to sustain growth in revenue, maintain its financial risk profile and comfortable liquidity position over the medium term will remain factors of key rating sensitivity.

Radiant Industries was established as a partnership firm in 2014 by the name 'Forge Masters' which was later changed in FY2018. The firm is managed by partners, Mr. Hardeep Singh, Mrs. Baljeet Kaur and their son, Mr. Prabhdeep Singh. The firm is engaged in manufacturing bright bars.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Radiant Industries to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

Mr. Hardeep Singh was managing a family-owned group firm named Punjab Steels before establishing Radiant Industries. Hence, has an experience of two decades in the steel industry, thus, establishing old relations with customers and suppliers.

• Healthy revenue growth and order book position

RI has recorded growth in revenue to Rs.47.13 crore in FY2018 as compared to Rs.33.49 crore in FY2017 and Rs.24.33 crore in FY2016. The firm has bagged orders of Rs.~11.73 crore as on 24 September, 2018 to be completed before March 2019. Further, RI has booked revenue of Rs.31.25 crore as on 25 October, 2018 which gives future visibility of revenue in the medium term.

• Moderate financial risk profile

The financial risk profile is moderate marked by low net worth and debt protection measures and moderate gearing. The net worth of the firm is low at around Rs.5.79 crore as on 31 March, 2018 as against Rs.4.11 crore as on 31 March, 2017. The net worth is inclusive of Rs.1.83 crore unsecured loans by the promoters to support the incremental working capital requirements which are considered as quasi-equity. The firm has followed a conservative financial policy as reflected by peak gearing of 1.12 times over the last three years through 2016-18. The gearing of 1.05 times has remained stable as on March 31, 2018.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.69 times as on 31 March, 2018 as against 2.26 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.32 times in FY2018 and 2.74 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.20 times as on 31 March, 2018 as against 0.25 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) has remained average at 1.56 times in FY2018 as compared to 1.64 times in FY2017.

Acuité believes that the financial risk profile of Radiant Industries will improve over the medium term on account of its improving scale of operations and conservative financial policy.

Weaknesses

- **Declining margins and susceptibility to volatility in raw material prices**

The firm's operating margins have declined to 4.40 percent in FY2018 as against 5.11 percent in FY2017 and 5.08 percent in FY2016. The reason for decline in margins is increase in raw material costs and administrative expenses. Further, the main raw material for RI's products includes steel bars which are procured domestically. The price volatility of metals, combined with the limited ability of the firm to pass on the changes in price to end customers leads to susceptibility of margins to fluctuations in raw material prices.

- **Competitive and fragmented industry**

The firm operates in a highly fragmented and unorganised market of manufacturing of bearing component with presence of large number of players in the unorganised sector limiting the bargaining power with customers.

Outlook: Stable

Acuité believes that RI will maintain a 'Stable' business risk profile on account of experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in the revenues or profitability and deterioration in the firm's financial risk profile due to debt-funded capex plans.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	47.13	33.49	24.33
EBITDA	Rs. Cr.	2.07	1.71	1.24
PAT	Rs. Cr.	0.64	0.53	0.00
EBITDA Margin	(%)	4.40	5.11	5.08
PAT Margin	(%)	1.35	1.59	0.01
ROCE	(%)	15.20	13.50	15.46
Total Debt/Tangible Net Worth	Times	1.05	1.05	1.12
PBDIT/Interest	Times	2.32	2.74	1.84
Total Debt/PBDIT	Times	2.90	2.52	3.73
Gross Current Assets (Days)	Days	114	99	86

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Sep-2018	Cash credit	Long-term	3.00	ACUITE B (Issuer not cooperating)
	Term loans	Long-term	2.50	ACUITE B (Issuer not cooperating)
18-Jul-2017	Cash credit	Long-term	3.00	ACUITE B (Issuer not cooperating)
	Term loans	Long-term	2.50	ACUITE B (Issuer not cooperating)
30-Mar-2016	Cash credit	Long-term	3.00	ACUITE B/Stable (Suspension revoked)
	Term loans	Long-term	2.50	ACUITE B/Stable (Suspension revoked)
16-Feb-2016	Cash credit	Long-term	3.00	ACUITE B (Suspended)
	Term loans	Long-term	2.50	ACUITE B (Suspended)
20-Nov-2014	Cash credit	Long-term	3.00	ACUITE B (Assigned)
	Term loans	Long-term	2.50	ACUITE B (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Upgraded)
Cash credit	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

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