

March 17, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	25.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.25.00 crore bank facility of Rajasthan Ispat Udyog (RIU). The outlook on the rating is '**Stable**'. The rating derives comfort from the firm's experienced management and moderate scale of operations. The rating is also supported by the firm's diversified clientele and established relations with customers. However, the rating is constrained by the firm's moderate financial risk profile and low profit margins. The rating is also constrained by the susceptibility of the firm's profit margins to volatility in steel prices. The rating notes that the firm operates in an intensely competitive segment of the iron and steel industry. Moreover, the firm's financial profile is susceptible to withdrawal of capital.

RIU, established in 1970, is a Kota-based proprietorship firm engaged in trading of iron and steel products. RIU benefits from its experienced management. Mr. Bhagwat Prasad Khandelwal, proprietor of RIU, has around 44 years of experience in the iron and steel industry. RIU has moderate-scale operations marked by revenue of Rs.343.69 crore in FY2013-14 (refers to financial year April 01, to March 31). The firm has a well-diversified clientele comprising ~200 customers.

RIU's moderate financial risk profile is reflected in gearing of 4.22 times as on March 31, 2014 and interest coverage ratio of 1.74 times in FY2013-14. The firm's total debt of Rs.41.44 crore (as on March 31, 2014) includes interest-free unsecured loans of Rs.15.07 crore from promoters, family and friends. The aforementioned unsecured loans are subordinated to bank debt. RIU reported low net profit margin of 0.61 per cent in FY2013-14. The firm's profit margins are susceptible to fluctuations in prices of iron and steel. RIU faces intense competition from several players in the iron and steel industry. The firm's financial profile is susceptible to withdrawal of capital by proprietor.

Outlook:Stable

SMERA believes the outlook on RIU's rated facility will remain stable over the medium term. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues and profit margins while maintaining efficient working capital management and healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure and working capital management.

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About the firm

RIU, established in 1970, is a Kota-based proprietorship firm promoted by Mr. Bhagwat Prasad Khandelwal. RIU is engaged in trading of iron and steel products. The firm is also an authorized distributor for SAIL, Rashtriya Ispat Nigam and Essar Steel India Limited. RIU's product portfolio includes TMT bars, HR sheets, HR plates, angles, channels and beams. The firm has a branch office in Jaipur.

For FY2013-14, RIU reported profit after tax of Rs.2.11 crore on operating income of Rs.343.69 crore, as compared with profit after tax of Rs.1.93 crore on operating income of Rs.289.04 crore in FY2012-13. RIU's capital stood at Rs.9.82 crore as on March 31, 2014, as compared with Rs.7.57 crore a year earlier. The firm registered revenue of ~Rs.275.00 crore (provisional) during April 2014 to February 2015.

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