

**Rajasthan Ispat Udyog (RIU): Reaffirmed**

Name of the Instrument	Amount (Rs. Crore)	Rating /Outlook
Cash Credit	25.00	SMERA BB-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.25.00 crore long-term bank facility of Rajasthan Ispat Udyog (RIPL). The outlook is '**Stable**'. The rating continues to be supported by the firm's experienced management and established operations. The rating also draws strength from the moderate scale of business marked by operating income of Rs.315.00 crore in FY2015-16. However, the rating is constrained by the moderate financial risk profile reflected in the high gearing and thin profitability. The rating also factors in the cyclical and fragmented nature of the steel and iron industry.

**Update**

RIU's revenues fell to Rs.315.16 crore in FY2014-15 (refers to financial year, April 01 to March 31) from Rs.338.39 crore in FY2013-14 while operating profit margin rose to 2.26 per cent from 2.18 per cent for the abovementioned period.

The gearing (debt-equity ratio) of the firm improved to 2.41 times as on March 31, 2015 from 4.22 times as on March 31, 2014. The interest coverage ratio improved to 1.89 times in FY2014-15 from 1.74 times in FY2013-14.

**Outlook- Stable**

SMERA believes RIPL will maintain a stable business risk profile over the medium term and continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' if the firm undertakes product diversification and registers larger-than-expected cash flows from operations. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher-than-expected borrowings for working capital requirements.

**Rating Sensitivity Factors**

- Improvement in profitability margin
- Efficient working capital management

**Criteria applied to arrive at the rating:**

- Trading Entities

**Rating History**

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating/Outlook
			Long Term	Short Term	
17 March, 2015	Cash Credit	25.00	SMERA BB-	-	Stable

About the Firm

RIPL incorporated in 1970, is a Kota-based firm promoted and managed by Mr. Bhagwat Prasad Khandelwal. The firm trades in iron and steel products and is also an authorised distributor for SAIL, Rashtriya Ispat Nigam and Essar Steel India Limited.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.2.25 crore on operating income of Rs.315.16 crore, as compared with profit after tax (PAT) of Rs.2.11 crore on operating income of Rs.338.39 crore in FY2013-14. The net worth stood at Rs.11.83 crore as on March 31, 2015 against Rs.9.82 crore a year earlier.

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