

March 26, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-** (read as **SMERA single B minus**)' to the Rs.7.00 crore long-term (fund based) bank facility of RD TMT Steels (India) Private Limited (RSPL). The outlook is '**Stable**'. The rating is mainly constrained by the management's limited experience in the iron and steel industry. The rating is also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and intense competition in the steel industry. The rating factors in risks related to the company's working capital-intensive operations. However, the rating notes that the company is well-poised to benefit from its lessor's established relations with customers and suppliers.

RSPL is a Bangalore-based company incorporated in 2003. RSPL was initially engaged in processing and trading of marble and granite, which was discontinued in April 2014. The company started manufacturing of steel billets in October 2014. RSPL's management has limited experience in the steel industry. The company's operations are working capital-intensive as raw material is procured in bulk, while sales are made on credit basis. RSPL has limited bargaining power against customers on account of the intense competition in the steel industry.

RSPL is currently undertaking manufacturing operations from a leased factory unit (lessor Laxmi Rolling and Strips Private Limited) in Hindupur, Andhra Pradesh. The company plans to purchase the leased unit for a total consideration of ~Rs.7.98 crore, which is likely to be funded through term loan of ~Rs.3.00 crore and promoters' contribution of Rs.4.98 crore. RSPL is poised to benefit from the lessor's established relations with customers and suppliers.

Outlook: Stable

RSPL's rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving improvement in profit margins, working capital management and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability, working capital management or capital structure.

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SMERA RATINGS LIMITED

RDTMT Steels (India) Private Limited (RSPL)

*Rating
Rationale*

About the company

RSPL is a Bangalore-based company incorporated in 2003. Mr. Sanjay Agarwal, Mr. Pradeep Agarwal and Mr. Rajesh Agarwal are present directors of company. RSPL was initially engaged in processing and trading of marble and granites, which was discontinued in April 2014. The company started manufacturing of steel billets in October 2014.

For FY2013-14, RSPL reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.1.38 crore, as compared with PAT of Rs.0.01 crore on operating income of Rs.1.91 crore in FY2012-13. The company registered revenue of ~Rs.28.91 crore (provisional) during October 2014 to January 2015. RSPL's net worth stood at Rs.0.58 crore as on March 31, 2014, as compared with Rs.0.57 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Shripad Nande Manager - Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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