



SMERA RATINGS LIMITED

RST Mining and Logistics Private Limited (RST)

Rating Rationale

March 30, 2015

Facilities	Amount (Rs. Crore)	Ratings
Loan Against Property	5.00	SMERA BB/Stable (Assigned)
Cash Credit	10.00	SMERA BB/Stable (Assigned)
Term Loan (proposed)	9.85	SMERA BB/Stable (Assigned)
Bank Guarantee (proposed)	3.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) to the Rs.24.85 crore long-term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.3.00 crore short-term (non-fund based) bank facility of RST Mining and Logistics Private Limited (RST). The outlook is '**Stable**'. The ratings are supported by the company's moderate financial risk profile and experienced management. However, the ratings are constrained by the company's small-scale operations and working capital-intensive business. The ratings are also constrained by the company's exposure to customer concentration risk amidst intense competitive pressure. The ratings factor in risks related to the company's debt-funded capex plan.

RST, incorporated in 2008, is a Delhi-based company engaged in providing logistics and consultancy services. RST also undertakes mining of coal. The company's moderate financial risk profile is marked by leverage (debt-equity ratio) of 1.42 times as on March 31, 2014 and interest coverage ratio of 3.82 times in FY2013-14 (refers to financial year, April 01 to March 31). RST benefits from its experienced management. Mr. H. S. Rai, director of RST, has around 15 years of experience in the logistics and mining industry.

RST has small-scale operations with revenues of Rs.30.81 crore in FY2013-14. The company's earnings are mainly supported by consultancy fees. RST's operations are working capital-intensive with gross current assets (GCA) of ~172 days in FY2013-14. The company is exposed to customer concentration risk arising from high dependence on contracts awarded by Monnet Ispat and Energy Limited. RST faces intense competition from several players in the logistics and mining industry. The company plans to avail term loan of Rs.9.85 crore in FY2015-16 for purchase of equipment.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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Outlook: Stable

SMERA believes RST will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues while achieving sustained improvement in profitability and debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or working capital management

About the company

RST, incorporated in 2008, is a Delhi-based company promoted by Mr. H. S. Rai. RST provides logistics and consultancy services. The company is also engaged in mining of coal. RST has established a joint venture company (named MGC-RST Mining Limitda) in association with MGC Group, Mozambique.

For FY2013-14, RST reported profit after tax (PAT) of Rs.2.97 crore on operating income of Rs.30.81 crore, as compared with PAT of Rs.1.43 crore on operating income of Rs.22.12 crore in FY2012-13. The company registered revenue of Rs.29.99 crore (provisional) during April 2014 to January 2015. RST's net worth stood at Rs.6.54 crore as on March 31, 2014, as compared with Rs.3.56 crore a year earlier.

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