

April 17, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00*	SMERA B/Stable (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)
Forward Contract	0.10	SMERA A4 (Assigned)

* Cash credit includes sub limit of Rs. 4.00 crore of ECB/ Buyers credit and Rs. 4.00 crore of foreign currency demand loan

SMERA has assigned ratings of '**SMERA B** (read as SMERA single B) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.11.10 crore bank facilities of Rajshanti Metals Private Limited (RSMPL). The outlook is '**Stable**'. The ratings are supported by the company's established operations, experienced management and diversified customer profile. However, the ratings are constrained by the company's working capital-intensive operations and low capacity utilisation level. The ratings note that the company faces intense competitive pressure. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in forex rates.

RSMPL, incorporated in 1992, is a Jamnagar-based company engaged in manufacturing of brass extruded rods, bars, flats, profiles and sections. RSMPL benefits from its experienced management. The directors of the company have around two decades of experience in the brass industry. RSMPL caters to customers across various industries such as electrical, electronics, hardware, auto components and sanitary ware.

RSMPL's operations are working capital-intensive. The company's average cash credit utilisation was high at ~96 per cent during July 2014 to January 2015. The company's capacity utilisation level was low at ~34 per cent in FY2013-14. RSMPL faces intense competition from several players in the brass industry. The company's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates. RSMPL's operating profit margin (EBITDA margin) declined to 6.61 per cent in FY2013-14 from 9.39 per cent in FY2010-11.

Outlook: Stable

SMERA believes RSMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements amidst intense competition and weak demand.

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About the company

RSMPL, incorporated in 1992, is a Jamnagar-based company promoted by Mr. Shantilal Haria. RSMPL is engaged in manufacturing of brass extruded rods, bars, flats, profiles and sections. The company has a manufacturing unit in Jamnagar (brass industry cluster), with installed capacity of 2,700 metric tonnes per annum (MTPA).

For FY2013-14, RSMPL registered net profit of Rs.0.31 crore on net sales of Rs.33.23 crore, as compared with net loss of Rs.0.51 crore on net sales of Rs.33.56 crore in FY2012-13. The company's net worth stood at Rs.5.45 crore as on March 31, 2014, as compared with Rs.5.15 crore a year earlier.

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