

Yatin Steels India Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Letter of Credit	386.50* (revised from 399.00)	SMERA A2 (Reaffirmed)
Proposed Fund/Non Fund Based Facilities	36.00	SMERA BBB+/Stable/SMERA A2 (Reaffirmed)
Cash Credit	12.50	SMERA BBB+/Stable (Reaffirmed)

* includes sublimit of Rs.45.00 crore for cash credit

SMERA has reaffirmed the long term rating of '**SMERA BBB+**' (**read as SMERA triple B plus**) and short-term rating of '**SMERA A2**' (**read as SMERA A two**) on the Rs.435.00 crore bank facilities of Yatin Steels India Private Limited (YSIPL). The outlook is '**Stable**'.

The ratings continue to derive comfort from the company's long track record of operations, experienced management, healthy revenue growth and moderate financial risk profile. However, the ratings are constrained by the thin and uneven profit margins and susceptibility of profit margins to fluctuations in forex rates as also steel prices.

Update

YSIPL trades in iron and steel products. The company registered growth of CAGR of 29 per cent from FY2011-12 to FY2015-16. The revenue base is strong at Rs.1695.22 crore for FY2015-16, around 35 per cent growth over the previous year. For the six months ended September 2016, the company earned revenue of Rs.654.69 crore.

YSIPL's financial risk profile is moderate marked by gearing (total outside liabilities to tangible net worth) of 5.32 times as on March 31, 2016. The interest coverage ratio stands healthy at 3.41 times in FY2015-16. The company provides credit of around 120 days to its customers. The operations are supported by purchasing steel against Letter of Credit of 180 days. The working capital facility is almost fully utilised. The company maintains 20 per cent margin money in the form of fixed deposits and any utilisation above the sanctioned limit is against 100 per cent cash margin.

YSIPL operates on thin profit margins on account of the trading nature of business. With 40 per cent of total purchase being met through imports, the company is exposed to fluctuations in forex rates. Thus, operating margins have been uneven due to volatility in forex and steel prices. The EBITDA margins have nevertheless remained stable in FY2015-16 at 2.07 per cent (2.17 per cent FY2014-15). The net profit margin has also remained stable at 1.28 per cent (1.31 per cent in FY2014-15).

Rating Sensitivity Factors

- Sustained growth while achieving stable margins
- Efficient working capital management
- Financial risk profile

Outlook-Stable

SMERA believes that YSIPL will continue to maintain a stable outlook and benefit over the medium term owing to its established presence in the steel trading industry. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profit margins on account of adverse forex fluctuations or higher than expected debt funded working capital requirements

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

YSIPL was incorporated in 2004 to take over the existing business of Yatin Steels set up in 1988. The company, promoted by Mr. Yatin Khanna is engaged in the trading of iron and steel products mainly hot and cold rolled flat products and galvanised sheets that find application in consumer durables, pipes and tubes, railways, among others.

For FY2015-16, YSIPL reported profit after tax (PAT) of Rs.21.73 crore on operating income of Rs. 1695.22 crore as compared with PAT of Rs.16.39 crore on operating income of Rs. 1,252.37 crore for FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
05 Oct, 2015	Letter of Credit	399.00*	-	SMERA A2 (Assigned)	-
	Proposed Fund/Non Fund Based Facilities	36.00	SMERA BBB+ (Assigned)	SMERA A2 (Assigned)	Stable

* includes sublimit of Rs.47.00 crore for cash credit

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ABOUT SMERA

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