

Press Release

YATIN STEELS INDIA PRIVATE LIMITED

09 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 435.00 Cr.
Long Term Rating	SMERA BBB+ / Outlook: Stable
Short Term Rating	SMERA A2

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of 'SMERA BBB+' (read as SMERA tripleB 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. The outlook is 'Stable'.

YSIPL was incorporated in 2004 to take over the existing business of Yatin Steels which was 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.

Key Rating Drivers

Strengths

- **Healthy financial risk profile**

The financial risk profile of YSIPL is healthy as gearing stands at 0.19 times as on March 31, 2017. Total debt includes interest bearing unsecured loans of around Rs.27.02 crores as on March 31, 2017 (previous year Rs.19.83 crores) which are not subordinated to bank debt. The management pays nominal interest of around 5-6% on the same. ICR stands at 3.11times for FY2017.

- **Efficient working capital management and comfortable liquidity position**

YSIPL procures material mostly against confirmed orders. This enables to mitigate the risk of inventory losses as prices of iron & steel are highly volatile. Further, all sales of YSIPL are against LC. Thus, there is no risk of receivables. The company doesn't have any bad debts in the past.

- **Improvement in profit margins**

EBIDTA margins of YSIPL have improved to 3.68% in FY2017 over 2.07% in FY2016. Further, PAT margins have also improved marginally at 1.87% in FY2017 compared to 1.28% in FY2016. ROCE stood at 37.64% in FY2017. Net profit margin is supported by non operating income viz. Interest received on FD to the tune of ~Rs. 10 crores.

Weaknesses

- **Moderation of Revenues**

The company reported a decline of 16.84% to Rs. 1409.71 cr in revenues in FY17 compared to that of Rs. 1695.22 cr in FY16 owing to the drop in steel demand and prices. This is after the strong demand reported by the company in FY16. While the 6m FY18 revenue stood at Rs. 685.01 cr, the sluggishness of revenue growth is expected to continue in the medium term.

- **Foreign exchange fluctuation risk**

The company imports ~13% of its raw materials worth Rs. 171 cr and sells the products domestically, thus is exposed to foreign exchange fluctuation risk. Although, the company hedges the imports but the same

covers only a small part of the total exposure.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profile of the rated entity.

Outlook: Stable

SMERA believes that YSIPL will continue to benefit over the medium term from 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 YSIPL's profit margins on account of adverse forex fluctuations.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1409.71	1695.22	1252.37
EBITDA	Rs. Cr.	51.90	35.11	27.17
PAT	Rs. Cr.	26.32	21.73	16.39
EBITDA Margin	(%)	3.68	2.07	2.17
PAT Margin	(%)	1.87	1.28	1.31
ROCE	(%)	37.63	31.48	51.95
Total Debt/Tangible Net Worth	Times	0.19	0.40	0.55
PBDIT/Interest	Times	3.11	3.41	3.03
Total Debt/PBDIT	Times	0.44	0.94	1.34
Gross Current Assets (Days)	Days	123	131	122

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Criteria For Rating Of Banks And Financial Institutions - <https://www.smera.in/criteria-banks.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Nov-2016	Letter of Credit	Short Term	INR 386.5	SMERA A2
	Proposed Working Capital Demand Loan	Long Term	INR 36	SMERA BBB+ / Stable
	Cash Credit	Long Term	INR 12.5	SMERA BBB+ / Stable
	Letter of Credit	Short Term	INR 399	SMERA A2

05-Oct-2015	Proposed Bank Guarantee	Long Term/ Short Term	INR 36	SMERA BBB+ / Stable
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***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BBB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	116.00	SMERA A2
Letter of credit	Not Applicable	Not Applicable	Not Applicable	55.00	SMERA A2
Letter of credit	Not Applicable	Not Applicable	Not Applicable	65.00	SMERA A2
Letter of credit	Not Applicable	Not Applicable	Not Applicable	34.00	SMERA A2
Letter of credit	Not Applicable	Not Applicable	Not Applicable	21.50	SMERA A2
Letter of credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A2
Proposed	Not Applicable	Not Applicable	Not Applicable	81.00	SMERA BBB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA A2

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ABOUT SMERA

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