

## Press Release

02 March, 2017

### V. Ram Chandra Iron & Steel Private Limited

#### Rating Downgraded

<b>Total Bank Facilities Rated *</b>	Rs.11.00 Cr
<b>Long Term Rating</b>	SMERA B+/Stable
<b>Short Term</b>	SMERA A4

\*Refer Annexure for details

#### Rating Rationale

SMERA has downgraded long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 11.00 crore bank facilities of V Ram Chandra Iron & Steel Private Limited. The outlook is '**Stable**'.

The Agra-based, V. Ram Chandra was incorporated in 1993 by Mr. Rajeev Jain and Mr. Sanjeev Jain. The company provides handling and transportation services to various companies including Rashtriya Ispat Nigam Limited and Jindal Steel & Power Ltd. The rating downgrade takes into account the decline in revenues, deterioration in profitability and coverage indicators. However the rating is supported by an experienced management and reputed clientele.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

V Ram Chandra was incorporated in 1993 by Mr. Rajeev Jain and Mr. Sanjeev Jain (Directors), who possess experience of over two decades in the material handling industry.

- **Reputed clientele**

Owing to the long standing track of operations, the company has a reputed customer base. It caters to Steel Authority of India Limited, Jindal Steel & Power Ltd., Tata JV among others. Further the company has a seven year contractual agreement with Rashtriya Ispat Nigam Limited.

##### Weaknesses

- **Weak financial risk profile**

The financial risk profile is weak marked by gearing at 1.87 times as on March 31, 2016 against 1.07 percent in FY2014-15. Moreover, the interest coverage ratio declined to 0.08 times in FY2015-16 against 2.75 times in FY2014-15. The operating margin stands negative at (2.43) per cent in FY2015-16 against 9.08 per cent in FY2014-15. The company has low operating income of Rs.10.49 cr in FY2015-16, a decline from Rs.14.42 cr in FY2014-15.

- **Tender based business**

The company's operations are tender based. The operating income is highly dependent on the successful bidding for tenders.

- **Competitive and fragmented industry**

The material handling industry is highly competitive with several organised as well as unorganised players and low entry barriers.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the company.

### **Outlook: Stable**

SMERA believes V Ram Chandra will maintain a stable outlook in the medium term on the back of established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in revenues along with profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in financial risk profile.

### **About the Rated Entity - Key Financials**

In FY2015-16 the company achieved operating income of Rs.10.49 cr with net loss of Rs.0.73 cr as compared to operating income of Rs.14.42 cr with profit after tax of Rs. 0.10 cr a year earlier. The networth stands at Rs.2.19 cr as on 31 March, 2016 as compared to Rs.2.93 cr a year earlier.

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

None

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
25-Nov-2015	Cash Credit	Long Term	INR 1	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 8	SMERA A4+
	Proposed Bank Facilities	Long Term	INR 2	SMERA BB- / Stable

**\*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	1.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable

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