

Press Release

RBA Ferro Industries Private Limited (RBA)

February 14, 2017

Rating Action: Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs 38.00 Cr
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.14.00 cr. bank facilities and assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.24.00 cr. bank facilities of RBA Ferro Industries Private Limited (RBA). The outlook is '**Stable**'.

RBA, established in 2006, is engaged in the manufacture and export of cast iron.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The company benefits from its experienced management. Mr. O.P. Agarwal, Director, possesses extensive experience in the iron and steel industry.

Modest scale of operations: The revenue of the company stands modest at Rs.118.94 cr. in FY2015-16 as against Rs.133.17 cr. in FY2014-15.

Healthy financial risk profile: The financial risk profile is marked by high net worth of Rs.63.91 cr., comfortable gearing (Debt-equity) of 0.43 times, healthy interest coverage ratio (ICR) of 4.47 times and debt service coverage ratio (DSCR) of 4.06 times in FY2015-16.

Weaknesses:

Foreign exchange fluctuation risk: The company exports around 90 per cent of its sales. The profitability margin is highly susceptible to forex fluctuations.

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset days of 189 during FY2016 as compared to 205 days in FY2015. This necessitates working capital requirement as funds gets blocked in debtor and inventory. The debtor and inventory days stand at 89 and 62 days respectively in FY2016 as against 101 and 66 days in FY2015.

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

Applicable Criteria:

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>

Outlook: Stable

SMERA believes that RBA will continue to maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues or registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

RBA, incorporated in 2006, is a Kolkata-based manufacturing company promoted by Mr. Om Prakash Agarwal. The company manufactures and exports cast iron.

For FY2015–16, RBA registered profit after tax (PAT) of Rs. 3.39 cr. on operating income of Rs. 118.94 cr., as compared with PAT of Rs. 2.50 cr. on operating income of Rs. 133.17 cr. in FY2014–15. The tangible net worth stood at Rs. 63.91 cr. as on March 31, 2016 as against Rs. 60.52 cr. in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Cr.)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Export Packaging Credit (Enhanced from Rs. 8.00 cr.)	LT	20.00	SMERA BB/Stable (Reaffirmed)	03 Nov, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Cash Credit	LT	1.00	SMERA BB/Stable (Assigned)	-	-	-	-	-	-
Forward Bill Purchase (Enhanced from Rs. 4.00 cr.)	ST	10.00	SMERA A4+ (Reaffirmed)	03 Nov, 2016	SMERA A4+ (Assigned)	-	-	-	-
Bank Guarantee (Enhanced from Rs. 2.00 cr.)	ST	7.00	SMERA A4+ (Reaffirmed)	03 Nov, 2016	SMERA A4+ (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/ Outlook
Export Packaging Credit (Enhanced from Rs.8.00 cr.)	N.A	N.A	N.A	20.00	SMERA BB/Stable (Reaffirmed)
Cash Credit	N.A	N.A	N.A	1.00	SMERA BB/Stable (Assigned)
Forward Bill Purchase (Enhanced from Rs.4.00 cr.)	N.A	N.A	N.A	10.00	SMERA A4+ (Reaffirmed)
Bank Guarantee (Enhanced from Rs.2.00 cr.)	N.A	N.A	N.A	7.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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