

R.B.A. Ferro Industries Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Export Packaging Credit	8.00	SMERA BB/Stable (Assigned)
Forward Bill Purchase	4.00	SMERA A4+ (Assigned)
Bank Guarantee	2.00	SMERA A4+ (Assigned)

SMERA has 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**) to the Rs.14.00 crore bank facilities of R.B.A. Ferro Industries Private Limited (RBA). The outlook is '**Stable**'.

The ratings draw comfort from the experienced management. The ratings also draw support from the moderate scale of operations and healthy financial risk profile marked by high net worth, comfortable gearing and healthy coverage indicators. However, the ratings are constrained by the working capital intensive business and foreign exchange fluctuation risk.

RBA, incorporated in 2006 is engaged in the manufacturing and export of cast iron. The company benefits from its experienced management. Mr. O.P. Agarwal director possesses extensive experience of more than four decades in iron and steel industry. The revenue of the company stands modest at Rs.118.94 crore in FY2015-16 as against Rs.133.17 crore in FY2014-15. The healthy financial risk profile marked by high net worth of Rs.63.91 crore, 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.

However, the ratings are constrained by the working capital intensive operations marked by high gross current asset days of 189 in FY2016 mainly due to high debtor and inventory days of 89 and 62 respectively in FY2016. The ratings also factor in the foreign exchange fluctuation as the company derives 90 per cent revenue through export.

Outlook-Stable

SMERA believes RBA will 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 of failure to achieve projected revenues, or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Managing volatility in raw material prices
- Efficient working capital management

Criteria applied to arrive at the rating:

- Manufacturing entity

About the Company

RBA, incorporated in 2006, is a Kolkata-based manufacturing company promoted by Om Prakash Agarwal. The company is engaged in the manufacture and export of cast iron.

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

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ABOUT SMERA

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