

Press Release

RBA Ferro Industries Private Limited (RBA)

06 April, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs.38.00 Cr.
Long Term Rating	SMERA BBB-/ Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB**' (read as **SMERA double B**) and upgraded the short term rating to '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned facilities of RBA Ferro Industries Private Limited (RBA). The outlook is '**Stable**'.

RBA, incorporated in 1986, is a Kolkata-based manufacturing company promoted by Mr. Om Prakash Agarwal. The company manufactures and exports cast iron and ductile iron. The manufacturing facility is located in Howrah (West Bengal) with installed capacity of 1500 tons per month.

The rating upgrade reflects sustained growth in revenue profile, improvement in profitability and financial risk profile supported by growth in iron and steel industry.

Key rating drivers

Strengths

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

Increase in scale of operations: The operating income of the company increased to Rs.121.74 crore in FY2017 as against Rs.118.94 crore in FY2016. The company achieved a turnover of ~Rs.140 crore as on March 23, 2018 (Provisional). The company's sales have increased due to increase in revenue from exports supported by addition of new customers. The company imports to countries such as USA, Germany, Belgium, UK, South Africa, Sri Lanka, Australia, Finland and Middle East countries.

Comfortable financial risk profile: The comfortable financial risk profile is marked by healthy net worth, low gearing and comfortable debt protection measures. The net worth levels of the entity stood at Rs.61.67 crore as on 31 March, 2017 as compared to Rs.58.51 crore in the previous year. The gearing levels remained low at 0.43 times in FY2017 as compared to 0.47 times in FY2016. The company's total debt consists of term loan of Rs.0.14 crore, unsecured loans of Rs.4.70 crore and short term debt of Rs.26.55 crore in FY2017. The interest coverage levels improved to 5.35 times in FY2017 from 4.47 times in FY2016 due to decline in interest expense. The net cash accruals to total debt (NCA/TD) stood at 0.30 times in FY2016 and FY2017.

Weaknesses

Working capital intensive operations: The company's operations remained working capital intensive, as reflected in high gross current assets (GCA) of 200 days as on March 31, 2017 compared to 189 days as on March 31, 2016 due to high debtor and inventory days. Inventory days stood at 61 as on March 31, 2017 as compared to 62 as on March 31, 2016. The company maintains high inventory levels to service export orders on time. Debtor days stood at 99 days as on March 31, 2017 compared to 89 days as on March 31, 2016. The company's credit terms with customers ranges from 60 to 120 days.

Foreign exchange fluctuation risk: The company exports around 90 per cent of its sales. The profitability margin is highly susceptible to forex fluctuations; however the company has forward covers of up to Rs.2.06 crore.

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

Outlook – Stable

SMERA believes that RBA will continue to maintain a stable outlook over the medium term owing to its comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in 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 Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	121.74	118.94	133.17
EBITDA	Rs. Cr.	13.46	13.47	14.11
PAT	Rs. Cr.	3.16	3.39	2.50
EBITDA Margin	(%)	11.06	11.33	10.59
PAT Margin	(%)	2.60	2.85	1.88
ROCE	(%)	7.93	7.19	7.94
Total Debt/Tangible Net Worth	Times	0.51	0.56	0.85
PBDIT/Interest	Times	5.35	4.47	3.27
Total Debt/PBDIT	Times	2.30	2.39	3.18
Gross Current Assets (Days)	Days	200	189	204

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.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>
Status of non-cooperation with previous CRA (if applicable): Not Applicable.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-Feb-2017	Packing Credit	Long Term	20.00	SMERA BB/Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	SMERA BB/Stable (Assigned)
	Bills Discounting	Short Term	10.00	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	7.00	SMERA A4+ (Reaffirmed)
03-Nov-2016	Packing Credit	Long Term	8.00	SMERA BB/Stable (Assigned)
	Bills Discounting	Short Term	4.00	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	2.00	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB-/Stable (Upgraded)

SMERA Ratings Limited

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Bills Discounting	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A3 (Upgraded)

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ABOUT SMERA

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