

R. N. Metal: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit*	5.00	SMERA BB-/Stable (Assigned)
Term Loan	5.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	15.00	SMERA A4 (Assigned)

* Sub Limit against Book Debts (Within CC)

SMERA has assigned long term rating of '**SMERA BB- (read as SMERA double B minus)**' on the Rs. 10.00 crore fund based bank facilities and short term rating of '**SMERA A4 (read as SMERA A four)**' on the Rs.15.00 crore non-fund based facility of R. N. Metal. The outlook is '**Stable**'.

To arrive at the rating, SMERA has consolidated the business and financial risk profile of R.N. Metals and Shree R.N. Metals (India) Private Limited together referred to as the 'R.N. Metals Group'. The consolidation is in the view of the common ownership and operational linkages within the group. Further, the routine operations of both the concerns are managed by Mr. Roop Narayan Sharma (Proprietor of R.N. Metals).

The ratings draw support from the experienced management, moderate financial risk profile marked by comfortable gearing and coverage ratios. SMERA also notes that the group has reputed clientele base like Telangana State Power Generation Corporation Limited, Chhattisgarh State Power Generation Company Limited to name a few. However, the rating is constrained by the stretched working capital and tender based nature of business as group has to bid for the government tenders. Further, the group operates in a competitive and fragmented Metal industry.

R.N. Metals, incorporated in 1995, is a Jaipur -based firm that manufactures forged and cast steel grinding Media Balls & Cylpebs used in power and cement industry. The group benefits from its experienced management. Mr. Roop Narayan Sharma, Proprietor has around 20 years of experience in the industry.

The moderate financial risk profile is marked by comfortable leverage (debt-equity ratio) of 1.23 times in FY2015-16 against 1.12 times in FY2014-15. The moderate interest coverage ratio stood at 1.91 times in FY2015-16 against 1.89 times in FY2014-15 (refers to financial year, April 01 to March 31). The group registered net cash accruals to total debt (NCA/TD) of 0.10 times in FY2015-16 against 0.11 times during the previous year. The moderate profitability profile is marked by the operating margins of 6.15 per cent in FY2015-16 as compared to 6.10 per cent a year earlier. The profit after tax (PAT) of the group has improved and stands at Rs. 1.06 crore in FY2015-16 as compared to Rs 0.62 crore a year earlier.

However, the group faces intense competition in the metal industry. The operations are working capital-intensive, with gross current assets (GCA) of 174 days in FY2015-16 against 163 days during the previous year. SMERA believes that the operations are expected to remain working capital intensive over the medium term due to the tender based nature of business.

Outlook: Stable

SMERA believes that the outlook on R.N. Metals Group will be 'Stable' over the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues while improving working capital cycle.

Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and profitability, or if the group undertakes large debt funded capex.

Rating Sensitivity Factors

- Efficient management of working capital cycle
- Scaling up operations

Criteria applied to arrive at the ratings:

- Manufacturing Entities
- Consolidation

About the Firm

R.N. Metals, incorporated in 1995, is an ISO 9001:2008 certified Jaipur-based proprietorship firm promoted by Mr. Roop Narayan Sharma. The firm has around 20 years of experience and is engaged in the manufacture of forged and cast steel grinding media balls and cyppebs.

About the Group

The R.N. Metals group is engaged in the manufacture of forged and cast steel grinding media balls. The group comprises two entities, R.N. Metals and Shree R.N. Metals (India) Private Limited

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ABOUT SMERA

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