

Press Release

R. N. Metals

06 February, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	SMERA D (Downgraded)
Short Term Rating	SMERA D (Downgraded)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term and short term rating to '**SMERA D**' (read as SMERA D) from '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4**' (read as SMERA A four) respectively on the Rs.25.00 crore bank facilities of R N Metals. The downgrade is due to delay in payment of interest and principal on their term loans.

R.N. Metals incorporated in 1995, is a Jaipur-based proprietorship firm established by Mr. Roop Narayan Sharma. The firm is engaged in the manufacturing of forged and cast steel grinding media balls and cylepbes.

Key rating drivers

Strengths

Experienced management: R.N. Metals was incorporated in 1995 by Mr. Roop Narayana Sharma. The promoter has more than two decades of experience in the metal industry.

Reputed clientele: The firm manufactures steel grinding media balls used in the cement and power industries. It caters to a diversified and reputed client base including government organisations such as Panki Thermal Power Plant (Uttar Pradesh), Badarpur Thermal Power station (New Delhi), Tenughat Vidyut Nigam Limited (Jharkhand), Damodar Valley Corporation to name a few located at Badarpur, Kota, Vidhyachal, Panipat etc. The clients in the cement industry include Cement Corporation of India Limited, J&K Cement Limited, Binani Cement Limited. The firm also caters to the Steel Authority of India Limited (SAIL) and Essar Steel India Limited.

Weaknesses

Delays in debt servicing: R N Metals has availed term loan of Rs.5.00 crore from the State Bank of India for setting up a plant in Sarna, Jaipur with installed capacity of 18,000 MTPA. There have been delays in servicing of interest and principal on the term loan for more than 30 days due to delay in the project.

Average financial risk profile: The average financial risk profile is marked by moderate net worth, gearing and modest debt protection measures. The net worth levels stood at Rs.11.84 crore as on 31 March, 2017 compared to Rs.13.53 crore in the previous year. The net worth levels declined due to withdrawal of capital by the proprietor. The gearing levels increased to 1.72 times in FY2017 from 1.10 times in FY2016 due to debt funded capex. The interest coverage levels decreased to 1.65 times in FY2017 from 1.74 times in FY2016 due to decrease in profitability levels. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times in FY2017.

Working capital intensive operations: The firm has intensive working capital requirements, as reflected in the high Gross Current Assets (GCA) of 201 days as on 31 March, 2017 compared to 209 days as on 31 March, 2016 due to high debtor days. The Debtor days in FY2017 stood at 129 compared to 159 in FY2016. The debtor days remained high due to delay in payment from PSU thermal power plants.

Analytical approach:

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

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.09	41.13	38.54
EBITDA	Rs. Cr.	2.16	2.34	2.36
PAT	Rs. Cr.	0.23	0.52	0.52
EBITDA Margin	(%)	8.59	5.70	6.13
PAT Margin	(%)	0.93	1.27	1.35
ROCE	(%)	5.82	9.14	18.09
Total Debt/Tangible Net Worth	Times	1.72	1.10	0.88
PBDIT/Interest	Times	1.65	1.74	1.87
Total Debt/PBDIT	Times	8.08	4.87	3.78
Gross Current Assets (Days)	Days	201	210	167

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <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
21-Nov, 2016	Cash Credit	Long term	5.00	SMERA BB-/Stable (Assigned)
	Term Loan	Long term	5.00	SMERA BB-/Stable (Assigned)
	Bank Guarantee	Short term	15.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA D (Downgraded)

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ABOUT SMERA

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