

Press Release

Rohini Metals Industries (RMI)

09 February, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs.7.00 Cr.
Long Term Rating	SMERA B+/Outlook: Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA B+**' (**read as SMERA B plus**) on the Rs.5.00 crore bank facilities of Rohini Metals Industries (RMI). Further, SMERA has also assigned the long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.2.00 crore proposed bank facilities of Rohini Metals Industries. The outlook is '**Stable**'. The upgrade is due to stabilisation of manufacturing activities in the company and increase in scale of operations.

RMI, established as a partnership firm in 2016, recycles lead acid batteries to manufacture lead ingots. The firm is headed by partners, Mr. Prakash Waghdhare and Mrs. Sindhu Waghdhare and also trades in copper, aluminium, brass, MS scrap among others. The manufacturing facility is located at Nagpur with installed capacity of 1500 tons/month.

Key rating drivers

Strengths

Experienced management: The promoter, Mr. Prakash, possesses around 15 years of experience in the aforementioned line of business through its group company Nagraj Alloys Private Limited, engaged in the trading and manufacturing of lead ingots.

Stabilisation in manufacturing operations: The firm started off with trading in lead ingot from March 2016 and subsequently ventured into manufacturing of the same from November 2016. The firm generated revenue of Rs.11.21 crore in FY2017 and Rs.22.00 crore from April 2017 to January 2018 (Provisional).

Weaknesses

Average financial risk profile The average financial risk profile is marked by low net worth, high gearing and modest debt protection measures. The net worth levels of the entity stood at Rs.1.01 crore as on 31 March, 2017. The gearing levels remained high at 5.37 times in FY2017 due to full utilisation of working capital limits amounting to Rs.5.00 crore. The high gearing levels are also due to the low net worth levels. The Interest Coverage levels stood at 1.41 times in FY2017. The net cash accruals to total debt (NCA/TD) stood at 0.02 times in FY2017.

Working capital intensive operations: The operations are working capital intensive as reflected in the high Gross Current Assets (GCA) of 209 days as on 31 March, 2017 due to high inventory and moderate debtor levels. The Inventory days in FY2017 stood at 130 due to procurement of stock through tender based orders. The receivable days in FY2017 stood at 62. The working capital limits are fully utilised.

Analytical approach:

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

Outlook: Stable

SMERA believes that the outlook of RMI will remain Stable over the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue and profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in the capital structure.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.21	-	-
EBITDA	Rs. Cr.	0.34	-	-
PAT	Rs. Cr.	0.00	-	-
EBITDA Margin	(%)	3.04	-	-
PAT Margin	(%)	0.01	-	-
ROCE	(%)	7.53	-	-
Total Debt/Tangible Net Worth	Times	5.37	-	-
PBDIT/Interest	Times	1.41	-	-
Total Debt/PBDIT	Times	15.96	-	-
Gross Current Assets (Days)	Days	209	-	-

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
30-Jan, 2017	Cash Credit	Long Term	5.00	SMERA B/Stable

*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 B+/Stable (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/Stable (Assigned)

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ABOUT SMERA

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