

Press Release

11 August, 2017



Meta Rolls and Commodities Private Limited

Rating Assigned

Total Bank Facilities Rated	Rs. 105.00 Cr#
Long Term Rating	SMERA BBB/Stable
Short Term Rating	SMERA A3+

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB (read as SMERA triple B)**' and short term rating of '**'SMERA A3+' (read as SMERA A three plus)**' on the Rs.105.00 crore bank facilities of Meta Rolls and Commodities Private Limited (MRCPL).

MRCPL, incorporated in 2002 is engaged in the manufacturing of MS billets and TMT bars. The production facility is located at Jalna (Maharashtra) and has capacity of 180,000 tonnes per annum (TPA). The management of the company is headed by Mr. Dwarakaprasad Soni and Mr. Ashish Bhala.

Key rating drivers

Strengths:

Long track of operations and experienced management: MRCPL commenced operations from 2002. The company is led by Mr. Dwarakaprasad Soni and Mr. Ashish Bhala who have around two decades of experience in the aforementioned line of business. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. MRCPL has a vast customer base with the top six customers accounting for only 20 per cent of total sales.

SMERA believes that MRCPL will continue to benefit from its experienced management and established relationship with its customers.

Stable business risk profile; margins expected to improve: MRCPL has an integrated facility for manufacturing billets & TMT bars. The company has registered a stable revenue growth of around 5 per cent over the past two years inspite of fall in steel prices and slowdown in demand. Revenues for FY2016-17 stood at Rs.403.32 crore as against Rs.382.90 crore in FY2015-16. MRCPL caters to construction companies through its vast network of 400 dealers spread across Maharashtra, Karnataka, Gujarat and Madhya Pradesh. The company has been able to maintain a healthy debtor profile as well with only 4.90 per cent due for more than six months as on 31 March 2017 and average receivable cycle of 45 – 50 days. MRCPL's margins have been uneven during the period under study on account of fluctuations in raw material prices. In FY2016-17, the margins declined to 5.61 per cent from 6.25 per cent in FY2015-16.

SMERA believes that MRCPL will be able to register improvement in margins of upto 6.50 per cent on account of additional benefits such as reduced power costs and higher output of TMT Bars after completion of its ongoing capex.

Comfortable financial risk profile: MRCPL has a healthy financial risk profile marked by net worth of Rs.78.53 crore as on 31 March, 2017. The gearing stood at 1.18 times as on 31 March, 2017, an improvement from 1.68 times as on 31 March, 2015. The total debt of Rs.92.61 crore mainly consists of long term debt of Rs.42.68 crore, unsecured loans from relatives and inter-corporate deposits of Rs.16.56 crore and the balance constituting working capital funding as on 31 March, 2017. MRCPL has a repayment obligation of Rs.12.35 crore against expected net cash accruals of ~Rs.16.00 crore. Further, repayments are also supported by infusion of funds from promoters in the form of unsecured loans and inter corporate deposits.

SMERA believes that MRCPL will maintain a stable financial risk profile on the back of improvement in net cash accruals expected post completion of capex coupled with funding support from promoters.

Weaknesses

Competitive industry and slowdown in demand: MRCPL operates in a highly competitive steel long products industry thereby putting pressure on capacity utilisation and pricing power. In addition, the industry has been reeling under the pressure of cheaper imports. Slowdown in demand and threat of cheaper imports has resulted in piling up of inventory or operating at low margins. The performance of the company is linked to the steel industry which is cyclical in nature as well as end user industries like real estate and construction.

Volatility in raw material prices: The margins of the company are susceptible to volatility in raw material prices which have been uneven during the period under study. Significant changes in raw material prices due to import pressure and over supply would have an impact on the margins of the company.

Outlook: Stable

SMERA believes that MRCPL will maintain a 'Stable' profile over the medium term owing to its experienced management and established presence in the market. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to 'Negative' in case of high working capital requirements increasing pressure on margins or delay in project completion leading to subdued cash accruals.

Analytical Approach

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

About the Rated Entity - Key Financials

For FY2016-17, MRCPL reported profit after tax (PAT) of Rs.3.44 crore on total operating income of Rs.403.32 crore compared to PAT of Rs.4.20 crore on total operating income of Rs.382.90 crore in FY2015-16. The tangible net worth stood at Rs.78.53 crore as on 31 March, 2017 compared to Rs.73.62 crore as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

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>

Rating History (Upto last three years): Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan I	N.A.	N.A.	April, 2019	4.80	SMERA BBB/Stable
Term Loan II	N.A.	N.A.	August, 2021	12.26	SMERA BBB/Stable
Term Loan III	N.A.	N.A.	February, 2024	3.03	SMERA BBB/Stable
Term Loan IV	N.A.	N.A.	February, 2024	2.94	SMERA BBB/Stable
Term Loan V	N.A.	N.A.	February, 2022	2.80	SMERA BBB/Stable
Term Loan VI	N.A.	N.A.	April, 2022	6.93	SMERA BBB/Stable
Term Loan VII	N.A.	N.A.	April, 2022	3.33	SMERA BBB/Stable
Cash Credit I	N.A.	N.A.	N.A.	21.00	SMERA BBB/Stable
Cash Credit II	N.A.	N.A.	N.A.	5.00	SMERA BBB/Stable
Cash Credit III	N.A.	N.A.	N.A.	9.00	SMERA BBB/Stable
Bank Guarantee I	N.A.	N.A.	N.A.	12.00	SMERA A3+
Bank Guarantee II	N.A.	N.A.	N.A.	6.60	SMERA A3+
Letter of Credit I	N.A.	N.A.	N.A.	8.00	SMERA A3+
Letter of Credit II	N.A.	N.A.	N.A.	4.40	SMERA A3+
Proposed Facilities	N.A.	N.A.	N.A.	2.91	SMERA BBB/Stable

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ABOUT SMERA

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