



## Press Release

### METAROLLS ISPAT PRIVATE LIMITED

(PREVIOUSLY META ROLLS AND COMMODITIES PRIVATE LIMITED)

November 02, 2018

#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 105.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3+

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB**' (**read as ACUITE Triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 105.00 crore bank facilities of Metarolls Ispat Private Limited (Previously Meta Rolls And Commodities Private Limited). The outlook is '**Stable**'.

Located in Jalna, Maharashtra, Meta Rolls and Commodities Private Limited was incorporated in 2002; On May 28, 2018 the name is changed to 'Metarolls Ispat Private Limited' (MIPL). It is engaged in manufacturing of MS billets and thermo-mechanically-treated (TMT) bars. Its production facility is located in Jalna with an installed capacity of 180,000 tonnes per annum (TPA). MIPL has currently undertaken bullet caster project, costing Rs. 35.50 crore which will further increase its production capacity by 36000 tpa.

#### Analytical Approach

Acuité has considered standalone business and financial risk profile of the company to arrive at the rating.

#### Key Rating Drivers

##### Strengths

###### • Long track of operations and experienced management

The company is headed by Mr. Dwarakaprasad Soni and Mr. Ashish Bhala who have around two decades of experience in iron and steel industry. The long standing presence of the promoters has enabled the company to forge healthy relationships with customers and suppliers. The company sells through its wide dealership network of more than 400 dealers spread across Maharashtra, Karnataka, Gujarat and MP. Acuite believes that MIPL continue to enjoy the benefit of experienced management, and established vintage of operations while maintaining its business risk profile over the medium term.

###### • Improving revenues and declining profitability margins

The company has registered healthy growth in revenues of around 41.34% in FY 18. Revenues for FY2018 stood at Rs. 570.05 crores as against Rs. 403.32 crores in FY2017. The company has been able to maintain healthy debtor profile as well with only 4.09% due for more than 6 months and average receivable cycle of 30-40 days. MIPL's margins have declined during the period under study on account of increase in raw material prices. Though the scale of operations have reported a compound annual growth rate of about 22 per cent over the past three years through FY2018; however, its operating profitability is marginally deteriorating year over year from 6.25 per cent in FY2016 to 5.38 per cent in FY2018 largely owing to fluctuating raw material prices, and realisations. Going forward, Acuite believes that the margins to improve marginally over the

medium term backed by expected savings in power costs and economies of scale of operations from the recently concluded capex of bullet castor project. The profitability margins have improved at PAT level to about 1.5 per cent, though its further fueled to about 2.6 per cent owing to profit on disposal of asset of Rs.10.07 crores. Acuite believes that with improving economic scenario, availability of additional capacity the revenue profile is expected to improve over the medium term.

- **Comfortable financial risk profile**

MIPL's financial risk profile is comfortable marked by moderate gearing (debt-to-equity), total outside liabilities to total networth (TOL/TNW) and debt protection metrics. Its gearing is healthy at 0.82 times as of March 31, 2018, marginal improvement from 0.91 times as on March 31, 2017. Its networth is moderate at Rs.104.43 crores as on March 31, 2018 against Rs.89.53 crores in FY2017; improvement is partly attributed to profit on sale of asset of about Rs.10.07 crores. MIPL's TOL/TNW is moderate at 1.28 times as of March 31, 2018 (1.43 times in FY2017). Total debt of Rs.85.87 crores majorly consists of long term debt of Rs.27.77 crores, unsecured loans from relatives of Rs. 20.22 crores and remaining working capital funding. MIPL is implementing moderate debt-funded capex of about Rs.35.5 crores funded out of term loan of about Rs.21.0 crores and rest out of internal accruals. Its debt protection metrics are comfortable: interest coverage ratio and net cash accruals to total debt (NCA/TD) at 3.77 and 0.25 times in FY2018 against 2.72 and 0.10 times in FY2017. Acuite believes that the financial risk profile is expected to be at similar levels owing to annual repayment obligations of about Rs.10.0 – 12.0 crores, incremental working capital requirement for the improving scale of operations and modest annual capex.

- **Efficient working capital management**

MIPL's working capital operations are efficiently managed with gross current asset (GCA) days of about 64 in FY2018 against 86 days in FY2017. It offers credit period of about 30-45 days, and maintains an inventory of a month's requirement. Efficient working capital management, regular infusion of funds by the promoters lead to moderate utilisation of its working capital limits at about 50-60 per cent over the past six months through September 2018. Acuite believes that with healthy stakeholder relations, the working capital operations continues to be at similar levels.

## **Weaknesses**

- **Debt funded capex plan**

MIPL has undertaken a moderate capex of Rs.35.5 crores in FY2019; it is funded out of term loan of Rs.21.0 crores and rest out of internal accruals and promoter's infusion. Optimal utilisation of installed capacity and maintenance of working capital cycle would be key credit metrics to the rating.

- **Competitive industry**

MIPL operates in a highly competitive steel long products industry thereby putting pressure on capacity utilization and pricing power. In addition, the industry is reeling under the pressure of cheaper imports. Slowdown in demand and threat of cheaper imports is leading to the industry players piling up 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**

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

### Outlook: Stable

Acuité believes MIPL will maintain a 'Stable' profile over medium term on the back of 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 and improvement in profitability. Conversely the outlook may be revised to 'Negative' in case of any stretch in its working capital requirements, or any significant delay in project completion leading to subdued cash accruals.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	570.05	403.32	382.90
EBITDA	Rs. Cr.	30.67	22.65	23.95
PAT	Rs. Cr.	15.18	3.44	4.20
EBITDA Margin	(%)	5.38	5.61	6.25
PAT Margin	(%)	2.66	0.85	1.10
ROCE	(%)	18.42	10.37	22.78
Total Debt/Tangible Net Worth	Times	0.82	0.91	0.97
PBDIT/Interest	Times	3.77	2.72	2.11
Total Debt/PBDIT	Times	2.08	3.50	3.28
Gross Current Assets (Days)	Days	64	86	86

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

CRISIL, vide its press release dated August 30, 2018 had denoted the rating of Meta Rolls and Commodities Private Limited as 'CRISIL BBB-/Stable/CRISIL A3; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Aug-2017	Term Loan	Long Term	INR 4.80	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	INR 12.26	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	INR 3.03	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	INR 2.94	ACUITE BBB / Stable(Assigned)
	Term Loan	Long Term	INR 2.80	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	INR 6.93	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	INR 3.33	ACUITE BBB / Stable(Assigned)
	Cash Credit	Long Term	INR 21.00	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	INR 5.00	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	INR 9.00	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	INR 12.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	INR 6.60	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	INR 8.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	INR 4.40	ACUITE A3+ (Assigned)
	Proposed Long Term Loan	Long Term	INR 2.91	ACUITE BBB / Stable (Assigned)

**\*Annexure – Details of instruments rated**

<b>Name of the Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. Cr.)</b>	<b>Ratings/Outlook</b>
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.98	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.53	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.88	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.54	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.41	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.18	ACUITE BBB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BBB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.60	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.40	ACUITE A3+ (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	17.88	ACUITE BBB / Stable (Reaffirmed)

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### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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