

Press Release

Rassco Steels Limited (RSL)

March 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 17.00 crore bank facilities of Rassco Steels Limited. The outlook is '**Stable**'.

Rassco Steels Limited (RSL) was established in the year of 1992 by Mr. Ashok Kumar Gupta. The company is engaged in trading and supplying of iron and steel products like MS billet, MS ingots, HR coils, CR coils, TMT bars, rounds and flats among others. The company procures mainly from TATA Steel Limited and Steel Authority of India Limited (SAIL) apart from local manufacture in West Bengal.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

RSL has been in operations since 1992. The directors of RSL Mr Aditya Gupta and Mr Ashok Kumar Gupta have experience of more than two decades in trading of iron and steel products.

- **Healthy financial risk profile**

The healthy financial risk profile of the company is marked by moderate networth, very low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.14.63 crore in FY2017 as compare to Rs.14.52 crore in FY2016, mainly on account of retention of current year profit. The gearing of the company stood at 0.32 times in FY2017 as compared to 0.19 times in FY2016. The total debt of Rs.4.72 crore consists of long term debt of Rs.0.07 crore and short term debt of Rs.4.66 crore. The total outside liability against the tangible Networth (TOL/TNW) of the company stands comfortable at 0.35 times in FY2017 as compare to 0.18 times in previous year. The interest coverage ratio (ICR) of the company stood comfortable at 3.18 times in FY2017 as compare to 1.39 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.81 times in FY2017 as compare to 1.07 times in FY2016. The net cash accruals against the total debt (NCA/TD) stand moderate at 0.06 times in FY2017 as compare to 0.03 times in FY2016.

Weaknesses

- **Moderate scale of operation**

Though the company started its operation since 1992, the scale of operation stood moderate at Rs.68.01crore in FY2017 as compare to Rs.70.36 crore in FY2016. The company has booked Rs.36.24 crore till December in FY2017 (Provisional).

- **Moderate working capital management**

The company's operations are moderately working capital intensive reflected in gross current assets (GCA) of 98 days in 2016-17, as compare to 83 days in 2015-16. These high GCA days emanate from collection period 78 days in FY17. The inventory days of the company stood comfortable at 7 days in FY2017 and 8 days in FY2016, mainly on account of trading nature of operation.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of RSL.

Outlook: Stable

SMERA believes RSL will continue to benefit over the medium term from its long track record of operation. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while maintaining financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	68.01	70.36	71.10
EBITDA	Rs. Cr.	0.45	0.85	1.03
PAT	Rs. Cr.	0.23	0.02	0.18
EBITDA Margin	(%)	0.67	1.21	1.44
PAT Margin	(%)	0.33	0.02	0.25
ROCE	(%)	2.78	5.13	11.07
Total Debt/Tangible Net Worth	Times	0.32	0.19	0.39
PBDIT/Interest	Times	3.18	1.39	1.39
Total Debt/PBDIT	Times	8.26	2.63	4.78
Gross Current Assets (Days)	Days	98	83	104

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	SMERA BB/ Stable (Assigned)

Contacts

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