

Press Release

Rassco Steels Limited (RSL)

May 31, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 17.00 crore bank facilities of Rassco Steels Limited (RSL). The outlook is '**Stable**'.

RSL was established in 1992 by Mr. Ashok Kumar Gupta. The company is engaged in trading and supplying of iron and steel products such as 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.

Analytical Approach

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

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

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..The long track record has helped establish healthy relations with reputed customers and suppliers.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate Net worth, comfortable gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs.15.17 crore in FY2019 (Prov.) increased from Rs.14.84 crore in FY2018, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.74 times in FY2019 (Prov.) as well as in FY2018. The total debt of Rs.11.21 crore consist entirely of short term debt from bank as on 31 March, 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 1.58 times in FY2019 (Prov.) as compared to 1.87 times in FY2018. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.40 times in FY2019 (Prov.) as compared to 1.45 times in FY2018. The net cash accruals against the total debt stood low at 0.03 times in FY2019 (Prov.) as compared to 0.02 times in FY2018.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 123 days in FY2019 (Prov.) as compared to 166 days in FY2018. These high GCA days emanates from high debtor days of 94 in FY2019 (Prov.) compared to 130 in FY2018. This high debtor is mainly due to inherent cyclical of the steel industry. The inventory days stood comfortable at 19 in FY2019 (Prov.) as compared to 25 in FY2018.

Moderate scale of operation and low profitability

The revenue of the company has increased to Rs.75.47 in FY2019 (Prov.) compared to Rs.53.18 crore in FY2018. The profitability stood moderate reflects by the operating margin of 1.52 per cent in FY2019 (Prov.) compared to 1.00 percent in FY2018. The PAT margin stood low at 0.44 per cent in FY2019 (Prov.) as compared to 0.39 per cent in the previous year.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals. The company has generated cash accruals of Rs. 0.37 crore in FY2019 (Prov.) as compared to Rs. 0.25 crore in FY2018. The moderate liquidity of the firm is also marked by 50-60 per cent utilisation of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 123 in FY 2019 (Prov.).

Outlook: Stable

Acuité believes that RSL will continue to benefit over the medium term from its long track record of operations. 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	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	75.47	53.18	68.01
EBITDA	Rs. Cr.	1.14	0.53	0.45
PAT	Rs. Cr.	0.33	0.21	0.23
EBITDA Margin	(%)	1.52	1.00	0.67
PAT Margin	(%)	0.44	0.39	0.33
ROCE	(%)	4.96	3.21	5.26
Total Debt/Tangible Net Worth	Times	0.74	0.74	0.32
PBDIT/Interest	Times	1.58	1.87	3.18
Total Debt/PBDIT	Times	8.40	14.36	8.26
Gross Current Assets (Days)	Days	123	166	98

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
28-Mar-2018	Cash Credit	Long Term	17.00	ACUITE BB/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BB/Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuiteratings.in	

About Acuité Ratings & Research:

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