

Press Release

Rattan Steel Supply Co. (RSSC)

Jul 12, 2019

Rating Reaffirmed



| | |
|------------------------------|----------------------------------|
| Total Bank Facilities Rated* | Rs. 11.00 Cr. |
| Long Term Rating | ACUITE B+/Stable (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 11.00 crore bank facilities of Rattan Steel Supply Co (RSSC). The outlook is '**Stable**'.

Rattan Steel Supply Co. (RSSC) was established in the year of 1967 as a proprietorship concern and reconstituted as a partnership firm in 1980. Currently the day to day operation is managed by Mr. Ajay Gupta, partner. The firm is engaged in trading and supplying of alloy steel and mild steel.

Analytical Approach

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

Key Rating Drivers:

Strengths

Experienced management

The partner of RSSC, Mr. Ajay Gupta has experience of almost three decades in trading of iron and steel products. The firm is into similar line of business since 1967.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company is marked by moderate Net worth, moderate gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs 12.13 crore in FY2019 (Prov.) as increased from Rs. 10.88 crore in FY2018, mainly on account accumulated profit. Acuité has considered Rs.4.14 crore unsecured loan as quasi equity as the same amount is subordinated with bank debts. The gearing of the company stood moderate at 1.11 times in FY2019 (Prov.) as compared to 1.85 times in FY2018. The total debt of Rs. 13.46 crore consist of long term loan of Rs. 0.20 crore, short term debt of Rs.12.01 and unsecured loan from promoters of Rs. 1.25 as on 31st March 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 1.20 times in FY2019 (Prov.) as compared to 1.25 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 1.20 times in FY2019 (Prov.) as compared to 1.25 times in FY2018. The net cash accruals against the total debt stand moderate at 0.03 times in FY2019 (Prov.) as compared to 0.02 times in FY2018.

Moderate scale of operation

Though the firm has started operation since 1967, the scale of operation stood moderate at Rs.38.66 crore in FY2019 (Prov.) as compared to Rs.55.46 crore in FY2018.

Liquidity Position

The company has stretched liquidity marked by moderate net cash accruals of Rs.0.36 crore in FY2019 (Prov.) as compared to Rs.0.45 crore in the previous year. The stretched liquidity of the company has also marked by 95 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 306 in FY 2019 (Prov).

Outlook: Stable

Acuite believes RSSC 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 achieving sustained improvement in profit margins and 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 further deterioration in the firm's financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY19 (Prov.) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------|---------------|---------------|
| Operating Income | Rs. Cr. | 38.66 | 55.46 | 51.31 |
| EBITDA | Rs. Cr. | 2.12 | 2.21 | 2.30 |
| PAT | Rs. Cr. | 0.30 | 0.38 | 0.20 |
| EBITDA Margin | (%) | 5.49 | 3.98 | 4.49 |
| PAT Margin | (%) | 0.77 | 0.69 | 0.38 |
| ROCE | (%) | 7.31 | 7.29 | 7.07 |
| Total Debt/Tangible Net Worth | Times | 1.11 | 1.85 | 1.46 |
| PBDIT/Interest | Times | 1.20 | 1.25 | 1.19 |
| Total Debt/PBDIT | Times | 6.33 | 9.11 | 7.19 |
| Gross Current Assets (Days) | Days | 306 | 223 | 207 |

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 |
|--------------------------|---------------------------------|-----------|-----------------|-----------------------------|
| 4 th May 2018 | Cash Credit | Long Term | 11.00 | ACUITE B+/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 | 11.00 | ACUITE B+/Stable (Reaffirmed) |

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About Acuité Ratings & Research:

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