

Press Release
Rattan Steel Supply Co. (RSSC)
 Nov 20, 2019
Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 11.25 Cr. (Enhanced from Rs.11.00 Crore)
Long Term Rating	ACUITE B+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 11.00 crore and assigned short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.0.25 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

Acuite 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 12.00 crore in FY2019 as increased from Rs. 10.88 crore in FY2018, mainly on account accumulated profit. Acuite 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 as compared to 1.85 times in FY2018. The total debt of Rs. 13.27 crore consist of long term loan of Rs. 0.20 crore, short term debt of Rs.11.82 and unsecured loan from promoters of Rs. 1.25 as on 31st March 2019. 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 1.21 times in FY2019 as compared to 1.25 times in FY2018. The net cash accruals against the total debt stand moderate at 0.02 times in FY2019 and in FY2018 respectively.

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 as compared to Rs.55.46 crore in FY2018.

Rating Sensitivity

- Scaling up of operations while maintaining profitability margin

Material Covenant

None

Liquidity Position: Stretched

The company has stretched liquidity marked by moderate net cash accruals of Rs.0.28 crore in FY2019 as compared to Rs.0.45 crore in the previous year. The stretched liquidity of the company has also marked by 100 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 303 in FY 2019.

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 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	38.66	55.46	51.31
EBITDA	Rs. Cr.	2.14	2.21	2.30
PAT	Rs. Cr.	0.21	0.38	0.20
EBITDA Margin	(%)	5.54	3.98	4.49
PAT Margin	(%)	0.53	0.69	0.38
ROCE	(%)	7.36	7.29	7.07
Total Debt/Tangible Net Worth	Times	1.11	1.85	1.46
PBDIT/Interest	Times	1.21	1.25	1.19
Total Debt/PBDIT	Times	6.18	9.11	7.19
Gross Current Assets (Days)	Days	303	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
12 th July 2019	Cash Credit	Long Term	11.00	ACUITE B+/Stable (Reaffirmed)
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)
Bill Purchase	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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