

Press Release

Ramprasad Tubes And Bars Private Limited

September 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 19.15 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 19.15 crore bank facilities of Ramprasad Tubes And Bars Private Limited. The outlook is '**Stable**'.

Ramprasad Tubes and Bars Private Limited (RTBPL) is a Tamil Nadu based company incorporated in the year 1996. It is engaged in manufacturing of bright bars, flats, tubes, GI castings among others. It has mainly two division's; Bright bar and foundry division with an installed capacity of 9000 tons and 6000 tons per annum respectively.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The company is in the business since 1996. It is promoted by Mr. Selvaraj and Mr. Rajendran who possess about three decades of experience in the industry. Mr. Rajendran looks after the entire operations of the company. Long track record of operations and experience of the management in the industry has helped the company in maintaining long standing relationship with customer such as Lakshmi Machine Works Limited, Aquasub Engineering, Swarnaraj Engineering Works among others. Acuité believes that, the company's long track record of operations coupled with established relations with customers will benefit the company over the medium term.

- **Moderate financial risk profile**

Financial risk profile of the company is moderate marked by moderate gearing (Debt to Equity ratio), total outside liabilities to total net worth, moderate debt protection metrics. Gearing is moderate at 1.95 times as on 31 March, 2018 (provisional) as against 2.34 times as on March 2017. Net worth stood at Rs.9.38 crore (include quasi equity of Rs.4.00 crore) and working capital debt stood at Rs.17.83 crore as on 31 March, 2018 (Provisional). TOL/TNW is moderately high at 3.08 times as on March 31, 2018 (provisional) as against 3.82 times as on March 31, 2017. Debt protection metrics of interest coverage ratio and net cash accruals to total debt is moderate at 1.68 times and 0.09 times respectively in FY2018. Acuité believes that, the financial risk profile of the company is expected to be in similar levels owing to moderate accretions to reserves.

Weaknesses

- **Modest revenues and fluctuation in operating margins**

Revenues are modest in the range of Rs.62-65 crore for the last three years through FY2018. Revenues stood at Rs.65.22 crore in FY2018 (Provisional) as against Rs.62.81 crore FY2017 and Rs.63.04 crore in FY2016. The contribution to revenue from the foundry division is declining year on year due to decline in orders from the customers. Further, operating margins of the company were fluctuating in the range of 6.13 percent to 7.29 percent for the last three years through FY2018. This is due to volatility in its key raw materials. However, the company is expecting revenues of about Rs.75 crore in the medium term with increase in production levels in foundry unit in FY2019. For the four months (April 2018 to July 2018), the company reported revenues of about Rs.23 crore and has executable orders of about Rs.5.66 crore to be executed in one month period. Ability of the company to increase the scale of operations while maintaining stable operating margins would be the key rating sensitivity factor over the medium

term.

• **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets of about 167 days in FY2018 (Provisional) as against 183 days in FY2017. This is mainly due to high debtors of about 95 days in FY2018 (Provisional) as against 106 days in FY2017. Further, inventory is also high at 73 days in FY2018 (Provisional) as against 79 days in FY2017. The same led to full utilisation of bank lines for the last six months through June 2018. Acuité believes that operations are expected to be working capital intensive due to extended credit terms with the customers and high inventory management.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RTBPL to arrive at this rating.

Outlook: Stable

Acuité believes that RTBPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established relationship with the customers. The outlook may be revised to 'Positive' in case of higher-than-expected growth in its revenues while maintaining stable profitability. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital requirements leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	65.22	62.81	63.04
EBITDA	Rs. Cr.	4.24	4.58	3.86
PAT	Rs. Cr.	0.36	0.09	2.19
EBITDA Margin	(%)	6.50	7.29	6.13
PAT Margin	(%)	0.56	0.15	3.48
ROCE	(%)	10.72	10.45	42.93
Total Debt/Tangible Net Worth	Times	1.95	2.34	3.84
PBDIT/Interest	Times	1.68	1.62	2.15
Total Debt/PBDIT	Times	4.32	4.36	3.13
Gross Current Assets (Days)	Days	167	183	174

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	Not	Not	18.10	ACUITE B+ / Stable

	Applicable	Applicable	Applicable		
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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