

Press Release

Ratnadeep Metal And Tubes Limited

D-U-N-S® Number: 67-581-3114



February 04, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 63.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 63.00 crore bank facilities of Ratnadeep Metal And Tubes Limited (RMTL). The outlook is '**Stable**'.

RMTL, based at Ahmedabad, was incorporated in 2002. The founders of the company are Mr. Jayant Jain and Mr. Bharat Sanghavi. The company is engaged in manufacturing of Pipes/Tubes in Carbon Steel, Alloy Steel and Stainless Steel Seamless as well as Stainless Steel welded tubes/pipes. The company has manufacturing facility located at Rajpur and Chhatral in Ahmedabad (Gujarat). The installed capacity of existing unit is 6300 MTPA.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record**

RMTL has been operational since 2002, thus establishing track record of over a decade. The key promoters possess more than three decades of experience in steel manufacturing and trading industry. The other Directors Mr. Jaimik Sanghvi and Mr. Timir Jain also possess over a decade experience in same line of business. The established network and rich experience of promoters has helped the company in establishing longstanding relationships with clients and suppliers.

- **Healthy order book and geographically well diversified clientele**

The company has well diversified clientele in domestic as well as international market which is spread across various countries such as South Africa, Australia, Singapore, Malaysia, United Kingdom, Thailand and Canada to name a few. RMTL has healthy order book of Rs.81.00 crore as on November 2018 providing revenue visibility over the medium term. The company has foreign tie ups and network to meet its export demand.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.30.32 crore as on 31 March, 2018 as compared to Rs.28.05 crore as on 31 March, 2017. The net worth includes unsecured loan of Rs.3.06 crore subordinated with bank facilities. The gearing (debt-equity) ratio stood at 1.10 times as on 31 March, 2018 as compared to 1.30 times as on 31 March, 2017. The interest coverage ratio stood at 1.74 times in FY2018 and 1.89 times FY2017. The Debt Service Coverage Ratio (DSCR) stood at 1.43 times for FY2018.

Weaknesses

- **Working capital intensive nature of operations**

The operations are working capital intensive in nature marked by Gross Current Asset (GCA) of 280 days in FY2018 and 308 days in FY2017. The GCA days are high on account of high inventory holding period of 208 days in FY2018 and 235 days in FY2017. The cash credit facility is utilised at ~80.00 percent during the last six months ended 30 November, 2018.

- **Volatility in raw material prices**

The margins of the company are susceptible to volatility in raw material prices which have been uneven during the period under study of FY2016-2018. The same can be reflected from decline in operating margins to 11.07 percent in FY2018 from 15.92 percent in FY2017. Any significant changes in raw material prices due to import pressure and over supply will have an impact on the margins of the company.

Liquidity Position

RMTL has moderate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.83 crore in FY2018 and Rs.5.48 crore in FY2017 against its repayment obligations of Rs.1.09 crore and Rs.0.66 crore, respectively. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 280 in FY2018. This has led to moderate reliance on working capital borrowings. The cash credit limit of the company remained utilised at 80.00 percent during the last six months period ended December 2018. RMTL maintains low unencumbered cash and bank balance of Rs. 0.05 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.25 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of increase in revenues, net cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuité believes that RMTL will maintain a 'Stable' outlook over the medium term owing to the promoters experience and comfortable debt profile. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher than expected increase in debt funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	99.18	89.54	94.53
EBITDA	Rs. Cr.	10.98	14.25	9.88
PAT	Rs. Cr.	2.45	2.64	2.41
EBITDA Margin	(%)	11.07	15.92	10.45
PAT Margin	(%)	2.47	2.95	2.55
ROCE	(%)	15.77	18.42	23.15
Total Debt/Tangible Net Worth	Times	1.10	1.30	1.43
PBDIT/Interest	Times	1.74	1.89	1.51
Total Debt/PBDIT	Times	2.85	2.51	3.54
Gross Current Assets (Days)	Days	280	308	271

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

Not Applicable

Any other information

None

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 Applicable	Not Applicable	Not Applicable	19.50	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3

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About Acuité Ratings & Research:

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