

Press Release

Ratnadeep Metal and Tubes Limited

April 14, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.00	-	ACUITE A3 Reaffirmed & Withdrawn
Bank Loan Ratings	40.00	ACUITE BBB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	73.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITÉ BBB-**' (read as **ACUITÉ BBB minus**) and short term rating of '**ACUITÉ A3**' (read as **ACUITÉ A three**) on the Rs.73.00 crore bank facilities of Ratnadeep Metal and Tubes Limited (RMTL). The rating is being withdrawn on account of request received from the company and NOC received from the concern bankers as per Acuite's withdrawal policy.

The ratings continue to reflect the company's established track record, strong client base apart from the comfortable financial risk profile. The rating also factors company's presence in domestic and overseas markets. These rating strength are partially offset by the group's working capital intensive of nature.

About the Company

Ratnadeep Metal and Tubes Limited (RMTL), incorporated in 2002 is an Ahmedabad based company engaged in manufacturing of Stainless Steel, Carbon Steel & Alloy Steel Tubes & Pipes. The company has manufacturing facilities located at Rajpur and Chhatral, Ahmedabad with a total installed capacity of 9660 MTPA. The founders of the company are Mr. Jayant Jain and Bharat Sanghavi.

Analytical Approach

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

Key Rating Drivers

Strengths

Long operational track record

Ratnadeep Metal and Tubes Limited was incorporated in 2002 by Mr. Jayanti Jain and Mr. Bharat Sanghavi. Promoters of the company have decade long experience in steel industry.

The company has a presence in both domestic and export markets such as European and Middle Eastern countries among others. The company caters to diversified customers in various end-user industries including oil and gas, power, refineries and engineering companies. However, the company had witnessed a decline in the scale of operation as reflected from its revenue of Rs 138.02 crore in FY21 as against Rs 170 crore in FY20. The decline is due to low demand from domestic market. Acuité believes the scale of operation of the company will remain at similar level over medium term.

Comfortable financial risk profile

The financial risk profile is marked by its moderate net worth, comfortable gearing ratio and healthy debt protection metrics. The net worth of the company stood at Rs. 42.55 Cr. as on 31st March'2021 as compared to Rs 38.49 Cr. in the previous year. The gearing ratio of the company stood at 0.79 times in FY21 as against 1.04 times in FY20. Interest coverage and DSCR stood at 3.01 times and 1.75 times in FY21 as against 2.78 times and 1.37 times in FY20 respectively. NCA/TD stood at 0.21 times in FY21 as against 0.19 times in FY20. Going forward, Acuité believes the financial risk profile will remain similar over the medium term.

Weaknesses

High Working capital requirement

The working capital-intensive nature of operations is marked by high gross current asset (GCA) days of 218 days in FY2021 as compared to 160 days in FY2020. Debtor days stood at 54 days in FY21 as compared to 37 days in FY20. Inventory days stood high at 155 days in FY21 against 114 days in FY20. Acuite believes working capital requirement will remain high in medium term because of high inventory level.

Rating Sensitivities

Not Applicable

Material covenants

Not Applicable

Liquidity profile: Adequate

The company has an adequate liquidity profile as net cash accrual stood at Rs 6.97 crore as against current maturity of Rs 2.12 crore. Going forward, the net cash accruals are expected to be in the range of Rs 8-9 Cr as against current maturity of around Rs.3.00 Cr from FY23-FY24. The working capital utilization stood moderate at 91 percent during last 6 months ended March 2022. Current ratio stood comfortable at 1.36 times in FY21. Acuite expects the liquidity position of the company will remain comfortable over the medium term backed by steady cash flow.

Outlook: Stable

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	138.02	170.29
PAT	Rs. Cr.	4.05	5.66
PAT Margin	(%)	2.94	3.32
Total Debt/Tangible Net Worth	Times	0.79	1.04
PBDIT/Interest	Times	3.01	2.78

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Feb 2021	Letter of Credit	Short Term	14.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	13.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	19.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
31 Dec 2019	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	19.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	14.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	13.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Short Term	10.50	ACUITE A3 (Reaffirmed)
04 Feb 2019	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	19.50	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	14.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	13.50	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Reaffirmed & Withdrawn
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.50	ACUITE BBB- Reaffirmed & Withdrawn
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BBB- Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE A3 Reaffirmed & Withdrawn
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3 Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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