

Press Release

Shree Raj Metalloys Private Limited (SRMPL)

D-U-N-S® Number: 91-651-6425

July 31, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Crore
Long Term Rating	ACUITE B/Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 10.00 crore bank facilities of Shree Raj Metalloys Private Limited (SRMPL). The outlook is '**Stable**'.

Kolkata based, Sri Raj Metalloys Private Limited (SRMPL) was established in 1991 as a private limited company by directors, Mr. Navin Bansal, Mrs. Navita Bansal and Ms. Preksha Bansal. The company is engaged in import and trading of iron and steel flat rolled products and scraps. Company imports raw material for traded goods directly from Japan, South Korea, Thailand, Singapore, Belgium, France and Spain.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SRMPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

SRMPL is engaged in import and trading of iron and steel flat rolled products and scraps. The directors of the company have an experience of over two decades in iron and steel industry. This extensive experience of the director helps the firm to create a healthy relation with its customer as well as with its suppliers.

Weaknesses

Weak financial risk profile

The financial risk profile of the company is marked by low Net worth, high gearing and moderate debt protection metrics. The net worth of the company stood low at Rs 4.16 crore in FY2019 (Prov.) as compared to Rs. 3.89 crore in FY2018, mainly on account of retention of current year profit. Acuite has considered unsecured loan of Rs.1.00 crore as quasi capital as its subordinated with the bank debt. The gearing of the company stood high at 1.58 times in FY2019 (Prov.) as compared to 1.29 times in FY2018. The total debt of Rs. 6.56 crore consist of long term loan of Rs. 0.10 crore, short term debt of Rs. 6.45 crore on 31st March 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 1.18 times in FY2019 (Prov.) as compared to 1.11 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 1.16 times in FY2019 (Prov.) as compared to 1.07 times in FY2018. The net cash accruals against the total debt stand low at 0.02 times in FY2019 (Prov.) as compared to 0.01 times in FY2018.

Moderate scale of operation and moderate profitability

Though the company has started operation since 1991 the revenue of the company stood moderate at Rs.11.25 crore in FY2019 (Prov.) as compared to Rs.13.58 crore in the previous year. The profitability of the company stood moderate which reflects by the moderate operating margin of 7.70 per cent in FY2019 (Prov.) as its increased from 5.80 per cent in the previous year. The net profit margin of the company also stood low at 0.40 per cent in FY2019 (Prov.) as compared to negative 0.16 per cent in FY2018.

Liquidity Position

The company has stretched liquidity marked by low net cash accruals of Rs.0.12 crore in FY2019 (Prov.) as compared to Rs0.05 crore in the previous year. The stretched liquidity of the firm has also marked by 90-95 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 343 in FY 2019 (Prov.) and 220 days in FY2018.

Outlook: Stable

Acuite believes that SRMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	11.25	13.58	12.15
EBITDA	Rs. Cr.	0.87	0.79	0.67
PAT	Rs. Cr.	0.05	(0.02)	(0.03)
EBITDA Margin	(%)	7.70	5.80	5.49
PAT Margin	(%)	0.40	(0.16)	(0.21)
ROCE	(%)	8.27	7.57	11.89
Total Debt/Tangible Net Worth	Times	1.58	1.29	1.42
PBDIT/Interest	Times	1.18	1.11	1.05
Total Debt/PBDIT	Times	7.40	6.27	9.01
Gross Current Assets (Days)	Days	343	220	282

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)

Not Applicable

*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	4.96	ACUITE B/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.54	ACUITE B/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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