

Press Release

Rose Metals

July 05, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.14.00 Cr.
Long Term Rating	ACUITE BB/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.14.00 crore bank facilities of Rose Metals (RM). The outlook is '**Stable**'.

About the company

Kerala-based, Rose Metals was established as a proprietorship concern in the year 2012 by Ms. Amy Joby. The day to day operations of the firm is managed by her husband Mr. Joby Joseph. The entity is engaged in wholesale and retail trade of stainless steel pipes and tubes for construction activities. The firm sells its products in and around Kerala region and started its operations in Mangalore region too.

The rating assigned on the bank facilities of RM is driven by its gradual improvement in revenues and steady profitability margins and moderate financial risk profile. The above strengths are partially offset by its moderate working capital management and moderate scale of operations.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RM to arrive at the rating.

Key Rating Drivers

Strengths

• Promoter's Industry experience; Improving revenue and steady profitability margins

The promoter, Ms. Amy Joby and her husband Mr. Joby Joseph have been in the industry for close to a decade; this has resulted in an established relationship with customers and suppliers. The firm's revenues have been gradually improving over the period for FY19-21 (Provisional) backed by repeated orders from existing customers and increase in its clientele base. The firm has generated revenues of Rs.65.77 Cr in FY2021 (Provisional) as against Rs.64.48 Cr in FY2020 and Rs.63.05 Cr in FY2019. The firm's profitability margin has also remained steady over the period from FY2019-2021. The EBITDA margin stood at 3.95 percent in FY2021 (Provisional) as against 3.83 percent in FY2020 and Rs.3.89 Cr in FY2019. The firm being into wholesale and retail trade and establishing its position in the market, it offers at different rates to its customers based on the credit period they avail. Acuité believes that with the established relation with customers and suppliers and management's experience will aid the business to improve over the medium term.

• Moderate financial risk profile

The financial risk profile of the firm has remained moderate with modest networth, moderate capital structure and debt protection metrics. The networth of the firm stood at Rs.10.37 Cr as on March 31, 2021 (Provisional) as against Rs.10.31 Cr as on March 31, 2020. Gearing (Debt-to-equity) stood at 1.70 times as on March 31, 2021 (Provisional) as against 1.83 times as on March 31, 2020. Gearing improved marginally on account of marginal decline in Debt levels. Debt protection metrics Interest Coverage Ratio and Debt Service Coverage Ratio stood at 1.79 times each and 1.76 times each as on March 31, 2021 (Provisional) and March 31, 2020 respectively. TOL/TNW stood at 2.12 times and 1.91 times as on March 31, 2021 (Provisional) and 2020 respectively. Acuité believes that financial risk profile of the firm is expected to remain moderate owing to moderate accretion to reserves in the medium term.

Weaknesses

- **Moderate working capital management**

The operations of the firm have been moderately managed with Gross Current Assets (GCA) days of 122 days and 112 days as on March 31, 2021 (Provisional) and 2020, respectively. The increased GCA days are on account of increase in collection period from customers. The debtor days stood at 92 days as on March 31, 2021 (Provisional) as against 76 days as on March 31, 2020. The inventory days stood at 31 days and 37 days as on March 31, 2021 (Provisional) and 2020 respectively. The working capital limits of the firm have remained utilized at 88 percent for the last six months ended March 2021. Acuité believes that RM's working capital cycle will remain moderate over the medium term.

Rating Sensitivities

- Lower-than-expected revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Liquidity Position: Adequate

The liquidity position of the firm has remained adequate with adequate net cash accruals to service debt obligations. The firm has generated cash accruals of Rs.1.15 Cr in FY2021 (Provisional) as against nil debt repayment obligations. The cash accruals of the company expected to be Rs.1-1.30 Cr for FY2022-2024 as against the repayment of Rs.0.44-0.59 Cr for the same period. Current ratio of the company stood at 1.54 times as on March 31, 2021 (Provisional). Cash and Bank balance stood at Rs.0.11 Cr as on March 31, 2021 (Provisional). Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals.

Outlook: Stable

Acuité believes that RM will continue to benefit over the medium term due to its experienced management and established relationships with its suppliers and customers. The outlook may be revised to 'Positive', in case of higher-than-expected revenues and profitability with improvement in working capital management and liquidity. Conversely, the outlook may be revised to 'Negative' in case RM registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or any major debt-funded capex plan leads to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	65.77	64.48
PAT	Rs. Cr.	1.04	0.96
PAT Margin	(%)	1.59	1.49
Total Debt/Tangible Net Worth	Times	1.70	1.83
PBDIT/Interest	Times	1.79	1.76

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

None

Any Material Covenants

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- 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 (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	14.00	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:

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