

May 28, 2013

Instrument	Amount (Rs. Crore)	Rating
Cash Credit	23.00	SMERA BB/Stable (Assigned)
Term Loan	3.84	SMERA BB/Stable (Assigned)
Letter of Credit	3.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA Double B**), and **SMERA A4+ (read as SMERA A four plus)** to Rukmini Iron Private Limited's (RIPL) Rs.29.84 crore bank facilities. The outlook is **Stable**. The ratings are constrained by the highly fragmented and competitive nature of the iron and steel industry, the company's modest financial profile, low capacity utilization and susceptibility of margins to fluctuation in raw material prices. The ratings, however, draw comfort from the long-standing experience of RIPL's promoters, benefits accrued from forward integration undertaken in FY2009-10 and the high growth in revenues (coupled with recent addition of reputed customers to its client base).

RIPL operates in a highly fragmented and competitive segment of the iron and steel industry, which restricts its overall bargaining power. Moreover; fluctuations in raw material prices and high interest cost also constrain the company's profitability. Despite healthy demand for TMT bars, RIPL has low capacity utilisation.

The ratings, however, benefit from the company's experienced management. RIPL operates under the management of Mr. Gopi Krishna Kejriwal (Managing Director), Mr. Sanjay Kejriwal and Mr. Rajeev Kejriwal; each having around two decades of experience in the iron and steel industry. This partially mitigates the risk of the company's limited business track record in the TMT bar manufacturing segment.

During FY2009-10, RIPL had undertaken forward integration by installing a rolling mill with a capacity of 40,000 MT per annum, which enhanced its revenues substantially. For the nine months ended December 31, 2012, RIPL reported operating income of Rs.89.35 crore, as compared with operating income of Rs. 101.05 for FY 2011-12. Moreover, over the last two years, RIPL expanded its client base by adding more customers like ESSAR Steel Limited, Uttar Pradesh Rajkiya Nirman Nigam and Kanwarji Construction Co.

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Outlook - Stable

SMERA believes that RIPL's outlook will remain stable over the medium term driven by healthy business prospects. The outlook may be revised to 'Positive' in case the company effectively manages cash flows from operations, improves the capital structure and achieves substantially higher capacity utilisation while improving profitability. The outlook may be revised to 'Negative' in case of weakening financial profile, operating margins, liquidity and leverage.

About the Company

RIPL is promoted and managed by Mr. Gopi Krishna Kejriwal and was incorporated in FY2003-04. The company commenced operations with the establishment of an induction furnace having an installed capacity of 18,000 MTPA. In FY2009-10, the company undertook forward integration and started its own TMT bars rolling mill having an installed capacity of 40,000 MTPA. The company currently manufactures TMT bars of sizes ranging from 8 MM to 32 MM.

In FY2011-12, RIPL registered net sales of Rs.101.05 crores and PAT of Rs.0.96 crores as compared with net sales of Rs.58.59 crores and PAT of Rs.0.53 crores in FY2010-11. As on March 31, 2012; the company's net worth stood at Rs.9.50 crore.

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