April 28, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	30.00 (Enhanced from Rs.23.00 crore)	SMERA BB/Stable (Reaffirmed)
Term Loan - 1	3.84	SMERA BB/Stable (Reaffirmed)
Term Loan - 2	3.00	SMERA BB/Stable (Assigned)
Letter of Credit	3.00	SMERA A4+ (Reaffirmed)
Proposed Cash Credit	3.00	SMERA BB/Stable (Assigned)

SMERA has reaffirmed long term rating of **'SMERA BB' (read as SMERA double B)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** to the Rs.42.84 crore bank facilities (enhanced from Rs.29.84 crore) of Rukmini Iron Private Limited (RIPL). The outlook is **'Stable'**. The ratings are constrained by the company's exposure to intense competition in the iron and steel industry. The ratings are also constrained by the company's modest financial profile and low capacity utilization level. However, the ratings are supported by the company's healthy revenue growth during the past three years. The ratings are also supported by the company's experienced management.

Update

For FY2012–13 (refers to financial year, April 01 to March 31), RIPL registered net profit of Rs.1.08 crore on operating income of Rs.126.73 crore, as compared with net profit of Rs.0.96 crore on operating income of Rs.101.08 crore for FY2011–12. Further, the company reported PAT of Rs.1.18 crore (provisional) on operating income of Rs.155.64 crore (provisional) during April 2013 to March 2014. RIPL's total revenue has increased by 23 per cent in FY2013–14 on account of spurt in income from trading operations. The company's revenue from trading activity increased from Rs.35.65 crore in FY2012-13 to Rs.62.76 crore in FY2013-14. RIPL's revenue share from manufacturing activities is on a downtrend since the past three years. The company's revenue share from trading activity increased from 16 per cent in FY2011–12 to ~40 per cent in FY2013–14 (provisional).

RIPL is currently upgrading its manufacturing facility in Hardwar, Uttarakhand. The company plans to install a Continuous Billet Casting Machine (CBCM) at the aforementioned facility. The total project cost is ~Rs.6.00 crore, which is proposed to be funded by unsecured loans of Rs.3.00 crore and term loans of Rs.3.00 crore from banks. RIPL has received sanction for additional cash credit facility of Rs.7.00 crore.

The company has maintained a moderate financial risk profile, as reflected in gearing (debt-to-equity ratio) of 2.76 times (provisional) as on March 31, 2014 and interest coverage ratio of 1.69 times (provisional) in FY2013–14. RIPL's comfortable liquidity position is evidenced by moderate utilisation (85 per cent) of working capital limit during October 2013 to March 2014.

Outlook: Stable

SMERA believes RIPL will continue to benefit over the medium term from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company maintains healthy growth in revenues while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the company

RIPL, incorporated in 2004, is a Delhi-based company promoted and managed by Mr. Gopi Krishna Kejriwal. RIPL is engaged in manufacturing of TMT bars (of sizes ranging from 8 MM to 32 MM). The company has a manufacturing unit in Hardwar (Uttarakhand), with total installed capacity of 40,000 metric tonnes per annum (MTPA).

For FY2013–14 (as per provisional financial statements), RIPL registered PAT of Rs.1.18 crore on net sales of Rs.155.64 crore, as compared with PAT of Rs.1.08 crore on net sales of Rs.126.73 crore for FY2012–13. The company's net worth stood at Rs.10.58 crore as on March 31, 2013, as compared with Rs.9.50 crore a year earlier.

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