

February 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	30.00	SMERA BB/Stable (Reaffirmed)
Term Loan	6.84	SMERA BB/Stable (Reaffirmed)
Letter of Credit	3.00	SMERA A4+ (Reaffirmed)
Cash Credit (proposed)	3.00	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.42.84 bank facilities of Rukmini Iron Private Limited (RIPL). The outlook is '**Stable**'. The ratings remain 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 utilisation. However, the ratings are supported by the healthy revenue growth registered by the company over the past three financial years. The ratings also draw comfort from the company's experienced management.

Update

For FY2013–14 (refers to financial year, April 01 to March 31), RIPL registered net profit of Rs.1.19 crore on operating income of Rs.155.65 crore, as compared with net profit of Rs.1.08 crore on operating income of Rs.126.73 crore in FY2012–13. Revenue from trading operations increased from Rs.35.65 crore in FY2012–13 to Rs.62.76 crore in FY2013–14. However, revenue from manufacturing has declined since the past three years. The share of trading revenues has increased from 16 per cent in FY2011–12 to ~40 per cent in FY2013–14.

RIPL's moderate financial risk profile is reflected in gearing of 2.82 times as on March 31, 2014 and interest coverage ratio of 1.68 times in FY2013–14. The company's comfortable liquidity position is evidenced by moderate utilisation (82 per cent) of working capital limit during July 2014 to December 2014.

RIPL has upgraded its manufacturing facility in Hardwar. The company has also installed a new continuous billet casting machine (CBCM). The cost of the machine is ~Rs.6.00 crore, which is funded through unsecured loans of ~Rs.3.00 crore and term loan of Rs.3.00 crore. RIPL reported PAT of Rs.0.62 crore (provisional) on operating income of Rs.78.80 crore (provisional) during the six months ended September 2014. The company's operating profit margin improved to 4.39 per cent (provisional) for the six months ended September 2014 from 3.92 per cent in FY2013–14 on the back of commissioning of the new CBCM in July 2014.

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Outlook: Stable

SMERA believes RIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profit margins while registering strong growth in revenues. 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 FY2003-04, is a Delhi-based company promoted and managed by Mr. Gopi Krishna Kejriwal. RIPL undertakes manufacturing and trading of TMT bars (of sizes ranging from 8 mm to 32 mm).

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