



SMERA RATINGS LIMITED

# Rukmini Iron Private Limited (RIPL)

## Rating Rationale

**January 19, 2016**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	40.00	SMERA BB/Stable (Reaffirmed)
Term Loans	4.34 (Enhanced from Rs.2.84 crore)	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB' (read as SMERA double B)** on the Rs.44.34 crore (enhanced from Rs.42.84 crore) long-term bank facilities of Rukmini Iron Private Limited (RIPL). The outlook is '**Stable**'. The rating continues to be supported by the company's experienced management, widespread distribution network and moderate financial risk profile. However, the rating is constrained by the working capital intensive operations in a cyclical and fragmented steel and iron industry.

### Update

RIPL's revenues increased to Rs.167.69 crore in FY2014-15 (refers to financial year, April 01 to March 31) from Rs.155.65 crore in FY2013-14 while the operating profit margin rose to 4.75 per cent from 3.92 per cent for the abovementioned period.

The financial risk profile has improved on account of decrease in operating cost due to commencement of con-cast<sup>1</sup> facility at the manufacturing plant, at Haridwar, Uttarakhand. The company's gearing (debt-equity ratio) deteriorated to 3.15 times as on March 31, 2015 from 2.76 times as on March 31, 2014. The interest coverage ratio improved to 1.72 times in FY2014-15 from 1.68 times in FY2013-14.

### Outlook: Stable

SMERA believes RIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' in case the company undertakes product diversification and registers larger-than-expected cash flows from operations. Conversely, the outlook may be revised to 'Negative' with significant deterioration in the financial risk profile on account of higher-than-expected borrowings for working capital requirements.

<sup>1</sup> **Continuous Casting** is the process whereby molten steel is solidified into a 'semi-finished' billet, bloom, or slab for subsequent rolling in the finishing mills. Prior to the introduction of continuous casting in the 1950s, steel was poured into stationary molds to form 'ingots'.

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### Rating Sensitivity factors

- Improvement in profitability margin
- Working capital management

### About the Company

RIPL, incorporated in 2004, is a Delhi-based company promoted and managed by Mr Gopi Krishna Kejriwal. The company is engaged in the manufacture and trading of TMT bars (sizes ranges from 8 mm to 32 mm) at Haridwar, Uttarakhand.

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