



Rating Rationale

R.M Mittal Steels Pvt Ltd.

19 Jan 2018

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 2.00 Crs of R.M Mittal Steels Pvt Ltd.

Particulars:

Facility	Amount (Rs. in Cr)	Tenure	Rating Assigned*
Fund Based Cash Credit	2.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus); Outlook: Stable
Total	2.00	(INR Two Crores Only)	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the R.M Mittal Steels Pvt Ltd. (RMMS) up to FY17, projection for FY18, publicly available information and information/clarifications provided by the company.

Rating derives comfort from RMMS's long experience in the manufacturing business of mild steel ingots, its comfortable financial risk profile because of low leverage and robust debt protection metrics. Rating is further supported by adequate liquidity because of good conversion cycle and current ratio. The rating, however is constrained by company's small scale of operations and poor profitability margins. The rating also factors in susceptibility of company's margins to the volatility in the prices of raw material and its marginal market share which limits the pricing power of the company.

Going forward, ability of the company to increase its scale of operations with sustained improvement in profitability margins shall be the key rating sensitivities.

19 Jan 2018



Key Rating Drivers:

Strengths:

- **Comfortable Financial Risk Profile:** The company's Debt protection metrics are robust at DSCR of 2.45 & ISCR of 2.54 in FY17. Gearing stands low at 0.26 times which depicts very comfortable financial risk profile of the company. The company's financial discipline is also depicted by the short cash conversion cycle of 30 days and high current ratio of 2.60 as on 31st March,17.
- **Experienced management:** The directors have long experience of 20 years in the manufacturing of mild steel ingots.

Weakness:

- **Modest Scale of Operations:** Considering the presence of large number of manufacturers in the steel industry, the company's scale of operations are modest at a comparatively low figure of Rs 47 Crore. The revenues are also seeing a declining trend, dripping by approximately 33% from its FY16 figure.
- **Low visibility of the revenues & volatile margins:** The company sells its product in an open market and not through long term contracts, thereby limiting the pricing power of its products. Furthermore, the raw material price fluctuation renders the firm vulnerable to volatility in its margins.

About the Company:

R.M Mittal Steels Pvt Ltd., having its registered address at Udaygiri, Bhaskar Lane, JayendraGanj, Gwalior, Madhya Pradesh - 474009, was incorporated in 1997. The Company is engaged in manufacturing Mild Steel Ingots which is the basic raw material for manufacturing various types of rerolled products. It is a private limited company limited by shares with paid up capital is Rs. 25178000.00. Its production site is situated at 3 km mile stone, Agra Road, Dholpur-328001 over an area of 14293.23 Sq Meter and having melting capacity of 30000 ton per year. The directors have extensive experience in the steel industry. The company benefits from the director's experience of around 20 years in Mild Steel Ingots.

Rating Outlook: Stable

BWR believes that RMMS's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to post significant increase in its revenues with better margins. The rating outlook may be revised to 'Negative' if the scale of business is declined further.

Company's Financial Performance:

The company booked total operating income of Rs 46.99 Crores in FY17 as against Rs. 70.73 Crores in FY16. PAT stood at 0.19 Crores in FY17 as compared to Rs 0.35 Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Total Operating Income	70.73	46.99
OPBDIT	0.88	0.58
PAT	0.35	0.19
Tangible Net Worth	5.90	6.09
Total Debt/TNW	0.48	0.26

Rating History for the last three years:

Facility	Rating Assigned in Jan18			Rating History		
	Amount (Rs. in Cr)	Tenure	Rating	FY17	FY16	FY15
Fund Based Cash Credit	2.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus); Outlook: Stable	NA	NA	NA
Total	2.00 (INR Two Crores Only)					

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)

- **Service Sector**

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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