

## Rating Advisory

January 22, 2020| Mumbai

### RR Metalmakers India Limited

#### Advisory as on January 22, 2020

This rating advisory is provided in relation to the rating of RR Metalmakers India Limited

The key rating sensitivity factors for the rating include:

- Liquidity
- Working capital management

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from RR Metalmakers India Limited (SSTL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If SSTL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the company

SSTL was incorporated in 1985 in Ahmedabad. The company was founded by Mr Sureshbhai Patel and Mr Somabhai Patel, and initially traded in chemicals and copper. In 1988, liquidity eroded, resulting in closure of operations till 2007. SSTL resumed operations in fiscal 2009, and commenced trading in spices and pulses. The company started importing pulses and spices from Dubai, Singapore, China, the US, Canada, Australia, Burma, and Indonesia, and also procured from India. However, since fiscal 2015, it has only traded in flat and long steel products.

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## Rating Rationale

January 28, 2019 | Mumbai

### Shree Surgovind Tradelink Limited

*Ratings downgraded to 'CRISIL D/CRISIL D'*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL D (Downgraded from 'CRISIL B+/Stable')
Short Term Rating	CRISIL D (Downgraded from 'CRISIL A4')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has downgraded its ratings on the bank facilities of Shree Surgovind Tradelink Limited (SSTL) to '**CRISIL D/CRISIL D**' from 'CRISIL B+/Stable/CRISIL A4'.

The downgrade reflects devolvement in letter of credit facility which was not regularized within 30 days. This was primarily due to shut down of a port due to which export orders could not be serviced on time leading to delay in receipt of payments from customers. This led to delays in paying letter of credit on due date.

The ratings continue to reflect the SSTL's below-average financial risk profile due to modest network and subdued capital structure, and its large working capital requirement. The weaknesses are partially offset by its extensive experience in the steel trading business.

#### Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of SSTL and its wholly owned subsidiary RR Life Care Private Limited.

Please refer Annexure- Details of consolidation, which captures the list of entities considered and their analytical treatment of consolidation.

#### Key Rating Drivers & Detailed Description

##### Weaknesses

**\* Working capital-intensive operations and exposure to intense competition:** Intense competition from a large number of players in the steel trading business limits SSTL's bargaining power, leading to fluctuations in operating margin. Moreover, trading operations limit operating margin. The company's large working capital requirement is reflected in gross current assets of 128 days as on March 31, 2018, driven by receivables of 63 days and inventory of 47 days. SSTL funds part of its raw material requirement through letter of credit of 120 days and depends on bank line to fund the rest, resulting in full bank limit utilization. CRISIL believes SSTL will continue to face intense competition and its operations will remain working capital intensive, over the medium term.

**\* Below-average financial risk profile:** SSTL had modest net worth of Rs 7.85 crore as on Mar 31, 2018, due to past losses. Capital structure is subdued, reflected in total outside liabilities to tangible network ratio of 3.32 times as on March 31, 2018.

##### Strengths

**\* Promoters' extensive industry experience:** Revenue was Rs 68 crore in fiscal 2017, supported by the promoters' extensive experience in trading in steel products. Mr Virat Shah, the family patriarch, has experience of over two decades in trading in steel products. CRISIL believes SSTL will continue to benefit from the promoters' extensive industry experience and will achieve stable sales despite the initial phase of steel products trading operations.

## Liquidity

The liquidity is stretched marked ad-hoc availed in the cash credit facility. Further, there was an instance of devolvement in LC which was not regularized within 30 days. However, the company is expected to generate cash accruals of more than Rs 1 crores in FY19 against nil repayment obligation. The company is planning to undertake a capex of Rs 50 crores in FY20 which will be funded by issue of equity & preference shares and term loan.

## **About the Company**

SSTL was incorporated in 1985 in Ahmedabad. The company was founded by Mr Sureshbhai Patel and Mr Somabhai Patel, and initially traded in chemicals and copper. In 1988, liquidity eroded, resulting in closure of operations till 2007. SSTL resumed operations in fiscal 2009, and commenced trading in spices and pulses. The company started importing pulses and spices from Dubai, Singapore, China, the US, Canada, Australia, Burma, and Indonesia, and also procured from India. However, since fiscal 2015, it has only traded in flat and long steel products.

## **Key Financial Indicators**

Particulars	Unit	2018	2017
Revenue	Rs crore	86.20	64.77
Profit After Tax (PAT)	Rs crore	220	123
PAT Margin	%	2.55	1.90
Adjusted Debt/Adjusted Networkth	Times	1.36	2.13
Interest coverage	Times	2.1	1.5

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Foreign Discounting Bill Purchase	NA	NA	NA	6	CRISIL D
NA	Letter of Credit	NA	NA	NA	12.5	CRISIL D
NA	Cash Credit	NA	NA	NA	6.5	CRISIL D

## Annexure - Details of Consolidation

Fully Consolidated Entities: Shree Surgovind Tradelink Limited and RR Life Care Private Limited

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	12.50	CRISIL D/ CRISIL D			31-01-18	CRISIL B+/Stable			19-10-16	CRISIL B/Stable	CRISIL B/Stable
Non Fund-based Bank Facilities	LT/ST	12.50	CRISIL D			31-01-18	CRISIL A4			19-10-16	CRISIL A4	CRISIL A4

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	6.5	CRISIL D	Cash Credit	12.5	CRISIL B+/Stable
Foreign Discounting Bill Purchase	6	CRISIL D	Letter of Credit	12.5	CRISIL A4
Letter of Credit	12.5	CRISIL D	--	0	--
Total	25	--	Total	25	--

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Retailing Industry](#)

[CRISILs Approach to Recognising Default](#)

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