

Press Release**Rajeev Shantisarup Reniwal****November 13, 2019****Rating**

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Facility – Fund Based – Cash Credit (interchangeable with Foreign/Inland Letter of Credit)	30.00	IVR BB/Stable Outlook/IVR A4 (IVR Double B with Stable Outlook / IVR A Four)
	Total	30.00	

Details of Facilities are in Annexure I**Detailed Rationale**

The aforesaid rating derives comfort from strong experience of proprietor, higher scale of operations and revenues due to high seas sales, improvement in leverage and debt coverage indicators and tax benefits due to time of levy of GST. However, the strengths are partially offset by cyclical risks coupled with competition from global peers, vulnerable margins due to exposure in volatile steel/scrap prices, susceptibility to fluctuations in foreign exchange rates and inherent risks associated with constitution of firm.

Key Rating Sensitivities*Upward Factors*

- Higher scale of operations through high seas sales
- Improvement in leverage and debt protection metrics

Downward Factors

- Susceptibility to fluctuations in foreign exchange rates
- Risks associated with change in business cycle.

Detailed Description of the Key Rating Drivers**Key Rating Strengths****Strong experience of proprietor**

Rajeev Shantisarup Reniwal is as a proprietorship concern found in 2016 by Mr Rajeev Reniwal. The proprietor was earlier associated with ship breaking business and has got

extensive experience of over 25 years. The experience and expertise of Mr. Reniwal has helped in the steady growth of the business over the years.

Higher scale of operations and revenues due to high seas sales

RSSR is engaged in and trading of iron and steel since its commencement. From 2019 onwards it has changed its business from being confined only to normal trading of scrap materials to high seas sales of ships. As it is involved in buying ships and correspondingly selling the same to ship breakers, its revenue jumped up to Rs.9.65 crore in FY 19.

Improvement in leverage and debt coverage indicators

The debt coverage indicators improved in FY 19 wherein interest coverage ratio stood at 2.52 times compared to 1.41 times in FY 18. Total Debt to GCA ratio has improved to 0.02 times in FY 19 on account of reduction in debt levels. With a higher tangible net worth of Rs.15.94 crore and lesser dependence on LC backed purchasing in FY19, the TOL/TNW has improved to 0.59x as on March 31, 2019.

Tax benefits due to time of levy of GST

For high seas sales GST on sales transactions of imported goods, whether one or multiple, will be levied and collected only at the time of import. i.e when the import declarations are filed before the customs authorities for the customs clearance purposes for the first time. Further any value addition accruing in each such high sea sales will form part of the value on which GST is collected at the time of clearance. Thus the final buyer would be responsible for payment on GST on the full value of goods plus any value addition at the time of import

Key Rating Weaknesses

Cyclicality risks coupled with competition from global peers

The ship breaking industry is cyclical in nature as supply of old ships for recycling is inversely proportional to freight rates in the global economy. These freight rates take into account the global demand of seaborne transport and supply of new vessels which in turn depends on global merchandise trade. Better availability of old ships for recycling is ensured at the time of recession and when freight rates are low which makes it economical to dismantle the ship rather than continue to operate it. Indian ship-recycling yard face intense competition from the neighbouring countries like Bangladesh and Pakistan due to availability of low wage labour, lax occupational health and environment related regulations, and partial enforcement.

Vulnerability to margins due to exposure in volatile steel/scrap prices

Profitability of steel traders is susceptible to steel scrap prices which are linked to global steel prices. The volatility in steel prices driven by demand and supply conditions in the global as well as local markets exposes the company to any adverse price movement on the unsold inventory of steel scrap held by the group.

Susceptibility to fluctuations in foreign exchange rates

The company also faces forex risk, as payment to be made to the ship supplier in foreign currency. The company purchases ship in foreign currency under an LC arrangement, where the usance period is usually around 180 days. Since ship breaking entities usually have a long payment period on LC-backed purchases, any depreciation of the Rupee increases the amount payable to honour the same LC. While the company hedges such risks by booking forward contracts, it remains exposed to adverse movements in exchange rates.

Inherent risks associated with constitution of firm

The constitution of entity is a proprietorship concern. Hence it is exposed to the risk of proprietor withdrawing funds from the business. Any withdrawal of capital from the firm by the proprietor can lead to liquidity crisis during exigencies.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Construction Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The liquidity remains stretched in the current year due to higher payables in FY 19 leading to low current ratio of 0.83 times. The Total Debt to GCA was comfortable at 0.02x for FY19. With an improved DSCR of 2.52 in FY19, the firm is expected to be able to meet its working capital requirements in the near future.

About the Company

Infomerics Valuation And Rating Pvt. Ltd.



Rajeev Shanti Sarup Reniwal (RSSR) is a proprietorship concern found by Mr Rajeev Reniwal. The firm primarily deals into Iron and Steel trading activities. Mr. Reniwal has been active in the business since 1992. He has an experience of more than 3 decades in this trade. He looks after the day-to-day activities of the group. The company during the past couple of years has been involved in buying ships and correspondingly selling the same to Ship Breakers on high seas basis for Ship breaking/dismantling. Besides it is also involved in trading of Iron and Steel locally and imports based on better price opportunity.

Financials

(Rs. crore)

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Provisional)
Total Operating Income	0.26	9.94
EBITDA	0.21	0.75
PAT	0.06	0.45
Total Debt	26.63	0.01
Tangible Networth	14.43	15.94
<u>Ratios</u>		
EBITDA Margin (%)	82.04	7.59
PAT Margin (%)	23.87	4.58
Overall Gearing Ratio (x)	1.85	0.00

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC (interchangeable with Foreign/Inland Letter of Credit)	Long Term	30.00	IVR BB/Stable Outlook/IVR A4 (IVR Double B with Stable Outlook / IVR A Four)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit (interchangeable with Foreign/Inland Letter of Credit)	--	--	--	30.00	IVR BB / Stable Outlook/IVR A4 (IVR Double B with Stable Outlook / IVR A Four)