

Press Release

Rashmi Ispat Limited

November 05, 2020

Rating Reaffirmed, Assigned & Withdrawn



Total Bank Facilities Rated*	Rs. 27.38 Cr.
Long Term Rating	ACUITE BBB/Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A3+ (Withdrawn and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed and assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and withdrawn and assigned the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs 27.38 crore bank facilities of Rashmi Ispat Limited (RIL). The outlook is '**Stable**'.

Incorporated in 1992, RIL is a West Bengal based company engaged in manufacturing of sponge iron with an installed capacity of 1,20,000 MTPA. The manufacturing unit was set up in 2001 at Jhargram of Paschim Medinipur district. The company has four 100 TPD capacity sponge iron kilns producing 1,20,000 MTPA of sponge iron based on 300 working days in a year and 3 shifts operation per day. The raw material is procured from suppliers located in West Bengal and Odisha and its customers are located mostly in West Bengal. Currently, the company is managed by Mrs. Rshmi Devi Patwari after the demise of Mr. A. K. Patwari (the former Chairman of the company, husband of Mrs. Rashmi Devi).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Rashmi Ispat Limited (RIL) to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Incorporated in 1992 as a private limited company, and later converted into a public limited company in 2007, RIL has a track record of over 25 years in the iron and steel industry. The company is currently managed by Mrs. Rashmi Devi Patwari, who has experience of around a decade in the business. The experience of the promoters in the industry has helped the company to foster healthy relations with its customers and suppliers. Acuite believes that APMS shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

- **Comfortable financial risk profile**

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 94.97 crore as on 31 March, 2020 as against Rs. 94.65 crore as on 31st March, 2019. Acuite has considered the unsecured loan of Rs. 15.22 crore in FY2020 and in FY2019 which has been subordinated to the bank has been treated as quasi equity. Acuite has also received an undertaking for the same. The gearing (debt-equity) stood low at 0.30 times in FY2020 as against 0.23 times in FY2019. The total debt of Rs. 28.27 crore as on 31st March, 2020 consists of unsecured loans of Rs 15.33 crore, short term borrowings of Rs 8.59 crore and term loan of Rs 4.36 crore. Moreover, the interest coverage ratio (ICR) stood healthy at 2.38 times in FY 2020 as compared to 3.22 times in FY 2019 and debt service coverage ratio (DSCR) stood at 2.18 times in FY 2020 as against 2.73 times in the previous year in FY 2019. The NCA/TD stood at 0.18 times in FY 2020 as against 0.32 times in FY 2019. Acuite believes that the financial risk profile of the company will remain comfortable in the absence of any further major debt-funded capex plans in the medium term.

- **Prudent working capital management**

The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 64 days in FY 2020 as compared to 73 days in the previous year in FY 2019. The inventory days stood at 48 days in FY 2020 as compared to 59 days in the previous year. The debtor days stood well managed at 3 days in FY 2020 similar with 2 days in FY 2019. Other Current Assets as on 31st March, 2020 stood at Rs 7.25 crore which mainly consist of other loans and advances of Rs 4.29 crore and balances with government authorities of Rs 2.20 crore. The working capital limits remained utilized at around 50 percent for 9 months ended September, 2020. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

Weaknesses

• Intense competition and inherent cyclical nature of steel industry

RIL's operations are exposed to inherent cyclicity in the steel industry with demand for steel products predominantly depending upon the construction and infrastructure sectors. Any slowdown in the end user industries may adversely affect demand for and price of steel products over the medium term. Further, the company faces intense competition due to the presence of a large number of players on account of low entry barriers and limited differentiation in end products. As a result, RIL's business risk profile is exposed to volatility in price and demand prospect in the steel industry.

Rating Sensitivity

- Improvement in revenue and sustained profitability
- Elongation in the working capital cycle

Material Covenants

None

Liquidity Profile: Adequate

RIL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 2.80-5.15 crore in FY 2018-2020 while its maturing debt obligations were around only Rs 0.28-0.04 crore during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 5.46-8.32 crore during 2021-23 against estimated repayment obligation of around Rs. 1.26 crore every year during FY 2021- 2023. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 64 days in FY 2020. The working capital limits remained utilized at around 50 percent for 9 months ended September, 2020. The company maintained unencumbered cash and bank balances of Rs. 1.35 crore as on March 31, 2020. The current ratio stood at 2.09 times as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuite believes that RIL will maintain 'Stable' outlook over the medium term from its promoter's experience in the steel industry with an established record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company reports significant growth in revenues while achieving sustained improvement in operating margins, capital structure and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a decline in the revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	216.12	230.08
PAT	Rs. Cr.	0.31	3.01
PAT Margin	(%)	0.14	1.31
Total Debt/Tangible Net Worth	Times	0.30	0.23
PBDIT/Interest	Times	2.38	3.22

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Sep-2019	Cash Credit	Long Term	5.00	ACUITE BBB (Withdrawn)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long Term	5.38	ACUITE BBB/Stable (Upgraded)
	Proposed Term Loan	Long Term	53.62	ACUITE BBB (Withdrawn)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Upgraded)
03-Dec-2018	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	5.38	ACUITE BBB-/Stable (Assigned)
	Proposed Term Loan	Long Term	53.62	ACUITE BBB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
23-Oct-2017	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	18.00	ACUITE BBB-/Stable (Assigned)
	Proposed Term Loan	Long Term	57.00	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	12-Dec-2019	Not Applicable	Not Applicable	15.00	ACUITE BBB/Stable (Assigned)
Term Loan	12-Dec-2019	9.10	12-Dec-2023	2.00	ACUITE BBB/Stable (Assigned)
Term Loan	29-Sep-2018	12.20	Mar-2024	5.38	ACUITE BBB/Stable (Reaffirmed)

Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/Stable (Reaffirmed)
Letter of Credit	12-Dec-2019	Not Applicable	Not Applicable	3.00	ACUITE A3+ (Assigned)
Letter of Credit	20-Sep-2005	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Withdrawn)

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About Acuité Ratings & Research:

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