

**Press Release**  
**RASHMI ISPAT LIMITED**  
**January 14, 2022**  
**Rating Assigned and Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Ratings      Loan	3.00		ACUITE A3+   Reaffirmed
Bank Ratings      Loan	10.00	ACUITE BBB   Stable   Assigned	
Bank Ratings      Loan	24.38	ACUITE BBB   Stable   Reaffirmed	
<b>Total</b>	<b>37.38</b>	<b>-</b>	<b>-</b>

**Rating Rationale**

Acuite has reaffirmed the long term rating of 'ACUITE BBB' (read as ACUITE triple B) and 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). Acuite has assigned the long term rating of 'ACUITE BBB' (read as ACUITE triple B) on the Rs 10.00 crore bank facilities of Rashmi Ispat Limited (RIL). The outlook is 'Stable'.

**About the Company**

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

**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.

**Healthy scale of operation**

The revenue of the company stood healthy at Rs.220.89 crore as on FY2021 as compared to Rs.216.12 crore. The company has earned Rs.167.99 crore till 30<sup>th</sup> November 2021 (Provisional). Acuite believes the revenue of the company will improve going forward backed by the increasing demand for iron and steel in the domestic market. The revenue of the company

has slightly improved during FY2021 due to overall improvement in price realization despite a decrease in volumes.

### **Comfortable financial risk profile**

The financial risk profile of the company is marked by moderate net worth, low gearing and comfortable debt protection metrics. The net worth of the company stood moderate at Rs.99.43 crore in FY 2021 as compared to Rs 94.57 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. Acuite has also considered unsecured loan of Rs.15.00 crore as part of networth, as the same amount is subordinated with bank debt. The gearing of the company stood low at 0.35 times as on March 31, 2021 when compared to 0.30 times as on March 31, 2020. This slight increase in gearing is mainly on account of higher utilization of short term debt utilization during the period. Interest coverage ratio (ICR) is strong and stood 3.76 times in FY2021 as against 2.38 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood comfortable at 2.51 times in FY2021 as compared to 1.66 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.27 times in FY2021 as compared to 0.18 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals over the near term.

### **Weaknesses**

#### **Intense competition and inherent cyclical nature of steel industry**

RIL's operations are exposed to inherent cyclical nature 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 Sensitivities**

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

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company has adequate liquidity marked by comfortable net cash accruals of Rs.9.34 crore as against Rs.1.33 crore long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 10.70 crore to Rs. 15.40 crore during 2022-23 as against Rs. 1.28 crore of long term debt obligations FY2022 and in FY2023 respectively. The current ratio of the company stood comfortable at 2.09 times in FY2021. The moderate working capital intensive nature of the company is marked by moderate Gross Current Asset (GCA) days of 92 days in FY2021. The bank limit of the company has been ~67 percent utilized during the last six months ended in November 2021. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments 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.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	220.89	216.12
PAT	Rs. Cr.	4.68	0.31
PAT Margin	(%)	2.12	0.14
Total Debt/Tangible Net Worth	Times	0.35	0.30
PBDIT/Interest	Times	3.76	2.38

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Nov 2020	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	5.38	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB   Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Withdrawn)
20 Sep 2019	Proposed Cash Credit	Long Term	20.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB (Withdrawn)
	Term Loan	Long Term	5.38	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Term Loan	Long Term	53.62	ACUITE BBB (Withdrawn)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
03 Dec 2018	Cash Credit	Long Term	5.00	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)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB   Stable   Assigned
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.38	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Abhishek Dey Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:abhishek.dey@acuite.in">abhishek.dey@acuite.in</a></p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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