

## Press Release

Rashmi Ispat Limited

January 24, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.69	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	34.38	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	40.07	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### 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 37.38 crore bank facilities of Rashmi Ispat Limited (RIL).

Further, Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs 2.69 crore bank facilities of Rashmi Ispat Limited (RIL). The outlook is '**Stable**'.

### Rationale for the rating

The rating continues to reflect the extensive experience of the management and a healthy financial risk profile. The rating also considers the healthy scale of operation coupled with moderate working capital management. However, these strengths are partially offset by the declining profitability margin and intense competition and inherent cyclical nature of steel industry.

### 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. 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. Rashmi Devi 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. Acuité 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 witnessed around 57 per cent growth in FY2022, its revenue increased to Rs.346.57 crore in FY2022 as compared to Rs.220.89 crore in the previous year. This revenue growth is majorly due to increase in average realization per unit during FY2022 backed by steady demand for sponge iron. Further, the average realization of the sponge iron has also improved during the 1st half of FY2023, however, the realization for sponge iron has moderated globally from the second half of the current financial year, which may lead to an overall stagnant turnover in FY2023. The company has booked around Rs.273 crore of sales till 31st Dec 2022 (Prov.).

#### Healthy financial risk profile

The financial risk profile of the company is marked by healthy net worth, low gearing, and comfortable debt protection metrics. The net worth of the company stood healthy at Rs.103.35 crore in FY 2022 as compared to Rs 99.43 crore in FY2021. This improvement in networth is mainly due to the retention of current year profit. Acuite has also considered Rs.15.00 crore of unsecured loan as quasi capital as the same amount is subordinated with bank debt. The gearing of the company stood at 0.40 times as on March 31, 2022 when compared to 0.35 times as on March 31, 2021. Interest coverage ratio (ICR) is comfortable and stood at 3.16 times in FY2022 as against 3.76 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood comfortable at 2.15 times in FY2022 as compared to 2.51 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.19 times in FY2022 as compared to 0.27 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals over the near term.

#### Comfortable working capital management

The operation of the company is comfortable marked by gross current asset (GCA) days of 73 days in FY2022 as compared to 92 days in the previous year. Moreover, the inventory days of the company has improved to 57 days in FY2022 as compared to 77 days in the previous year. The debtor days of the company stood comfortable at 01 days in FY2022 as compared and in the previous year respectively. Acuité believes that the working capital of the company would be maintained at efficient levels over the medium term backed by the efficient debtor's management policy of the promoters.

### Weaknesses

#### Moderate profitability margin

The operating profitability margin of the company stood dipped to 4.07 per cent in FY2022 from 6.74 per cent in the previous year. This decrease in operating profitability is on account of increase in overall price of the raw material during the period which could not be entirely passed onto the end consumers. The operating profitability margin has further reduced to 2.96 per cent during 6MFY2023 (prov). Going forward, Acuité believes that the profit margins of the company would be sustained at moderate levels owing to fluctuations in raw material

prices.

### **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 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.8.05 crore as against Rs.1.33 crore long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 9.47 crore to Rs. 11.45 crore during 2023-24 as against Rs. 1.57 crore of long term debt obligations FY2023 and Rs.1.51 crore in FY2024 respectively. The current ratio of the company stood comfortable at 1.88 times in FY2022. The efficient working capital management is marked by comfortable Gross Current Asset (GCA) days of 73 days in FY2022. The bank limit of the company has been ~89 percent utilized during the last six months ended in December 2022. Acuité 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**

Acuité 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.

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	346.57	220.89
PAT	Rs. Cr.	3.92	4.68
PAT Margin	(%)	1.13	2.12
Total Debt/Tangible Net Worth	Times	0.40	0.35
PBDIT/Interest	Times	3.16	3.76

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

None

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jan 2022	Term Loan	Long Term	5.38	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Assigned)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.38	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.69	ACUITE BBB   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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