



Press Release
Rashmi Ispat Limited
December 19, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	37.07	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	65.07	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs 40.07 crore bank facilities of Rashmi Ispat Limited (RIL). The outlook is '**Stable**'.

Also, Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs 25.00 crore bank facilities of Rashmi Ispat Limited (RIL). The outlook is '**Stable**'.

Rationale for the rating

The rating takes into cognizance the extensive experience of the management and a healthy financial risk profile of the company characterized by a healthy net worth base, low gearing levels and comfortable debt protection metrics. The rating takes into account the moderate working capital management marked by improving Gross Current Assets (GCA) to 72 days for FY2023 compared to 76 days for FY2022. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals and minimal debt repayments.

However, these strengths are partially offset by the declining profitability margin. The profitability of the company witnessed deterioration in last three years as reflected by decline in operating profit margin to 3.67 percent in FY2023 as against 4.19 percent in FY2022 and 6.74 per cent in FY2021. This decline is majorly on account of increase in the overall price of the raw material, mostly coal during this period. The rating is also constrained on account of intense competition and inherent cyclical nature of steel industry.

About the Company

Established in 1992, RIL, headquartered in West Bengal, specializes in producing 1,20,000 metric tonnes per annum (MTPA) of sponge iron. Its manufacturing facility, founded in 2001, is situated in Jhargram, Paschim Medinipur district. Operating with four 100 metric tonnes per day (TPD) sponge iron kilns, the company procures raw materials from suppliers in West Bengal and Odisha, catering primarily to customers in West Bengal. Presently, Mrs. Rashmi Devi Patwari oversees the company's management

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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**

Established as a private limited company in 1992, RIL transitioned to a public limited company in 2007, accumulating over 25 years of operation within the iron and steel sector. Presently overseen by Mrs. Rashmi Devi Patwari, who boasts nearly a decade of industry expertise, the company has leveraged the promoters' experience to cultivate strong relationships with both customers and suppliers. Acuité believes that RIL will further enhance its business risk profile in the medium term by capitalizing on the substantial industry knowledge of its promoters.

- **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 adjusted net worth of the company stood healthy at Rs.116.67 Cr in FY 2023 as compared to Rs 112.32 Cr in FY2022, due to accretion to reserves. Acuite has also considered Rs.15.00 crore of unsecured loan as quasi capital as the same amount is subordinated with bank debt. The adjusted gearing of the company stood at 0.29 times as on March 31, 2023. The adjusted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.38 times as on March 31, 2023. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.01 times and debt service coverage ratio (DSCR) of 2.04 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.24 times in FY2023.

Also, the company had undertaken planned capex for forward integration to install billet manufacturing unit, with the installed capacity of 72000 MTPA and an 8 MW power plant, where company has already invested for power plant since FY 2020 and commission has not yet been done. The company is going to complete the entire project by October 2024 and expected date of commencement will be from April 2025. The total cost of the project is Rs. 40 Cr which will be funded through debt of Rs 25 Cr and balance from internal accruals.

Going forward, Acuité believes that the financial risk profile is expected to remain healthy over the medium term, supported by healthy internal accrual generation thus sustaining the capital structure, even though the company is incurring debt funded capex and comfortable debt protection metrics.

- **Moderate working capital management**

The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 72 days for FY2023 as compared to 76 days for FY2022 mainly on account of moderate inventory days and low receivables day. The inventory days of the company stood at 54 days in FY2023 as compared to 57 days in FY2022. Further, the company has efficient receivable mechanism as reflected from debtor days of the company which stood similar at 1 day for FY2023 and FY2022. Moreover, the GCA days of the company also emanates from the high other current asset, which mainly consists of other loans and advances and other receivables and recoveries. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

- **Moderate scale of operations**

In FY2023, the company achieved revenues of Rs. 373.10 Cr, a marginally increase from the Rs. 346.58 Cr in FY2022. This revenue growth primarily stems from higher volume sales and an improved average realization per unit of Sponge Iron. By September 2023, the company had already recorded revenues of Rs. 173.19 Cr (Provisional). Acuite believes that the company's revenue in FY 24 will dip slightly as realisation of sponge iron is expected to be low during this period.

The profitability of the company witnessed deterioration in last three years as reflected by decline in operating profit margin to 3.67 percent in FY2023 as against 4.19 percent in FY2022 and 6.74 per cent in FY2021. This decline is majorly on account of increase in the overall price of the raw material during the period. The company indirectly imports coal from South Africa and Russia which witnessed a slight increase in prices. .

Furthermore, the company reported net profitability margin of 1.17 per cent in FY2023 as compared to 1.20 per cent in FY2022. The ROCE levels stood at about 6.83 per cent in FY2023 as against 7.81 per cent in FY2022. Acuité believes the profitability margin of the company will remain at similar levels over the medium term.

- **Strong Competitive Pressure and Inherent Cyclical Patterns in the Steel Sector**

The steel rolling sector continues to lack organization and cohesion. The company faces strong competitive forces from both organized and unorganized participants, compounded by the cyclicity inherent in the steel industry. Moreover, the government's emphasis on steel intensive sectors like railways and infrastructure increases vulnerability; any prolonged drop in demand would negatively affect steel companies' performance. Furthermore, the fluctuation in prices of raw materials and goods is considerably unstable. The business also contends with rivalry from more affordable imports from Indonesia and China. A substantial rise in imports could detrimentally affect earnings and quantities, making this a crucial aspect to watch.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Higher than expected debt funded capex
- Elongation in working capital cycle

All Covenants

None

Liquidity Position Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.8.50 Cr. as on March 31, 2023 as against Rs.1.57 Cr. long term debt obligations over the same period. The cash and bank balance stood at Rs. 8.43 Cr for FY 2023. Moreover, the bank limit of the company has been ~72.51 percent utilized for the last six months ended in November 2023. The current ratio of the company stood comfortable at 2.20 times in FY2023. Further, the working capital management of the company is moderate marked by Gross Current Assets (GCA) of 72 days for FY2023 as compared to 76 days for FY2022. 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 improving 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	373.10	346.58
PAT	Rs. Cr.	4.36	4.14
PAT Margin	(%)	1.17	1.20
Total Debt/Tangible Net Worth	Times	0.29	0.32
PBDIT/Interest	Times	3.01	2.90

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

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Jan 2023	Term Loan	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.38	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.69	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
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	25.00	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	5.87	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.93	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.58	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.69	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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