



Press Release
RASHMI ISPAT LIMITED
March 18, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	62.07	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	65.07	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Ba**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the bank facilities of Rs.65.07 Cr. of Rashmi Ispat Limited. The outlook remains '**Stable**'.

Rationale for Rating

The rating takes into cognizance the steady scale of operations due to extensive experience of the management, marginal improvement in margins and a moderate working capital management marked by Gross Current Assets (GCA) to 75 days for FY2024 as against 72 days for FY2023. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals against minimal debt repayments. However, these strengths are partially offset by decline in operating income. This decline is on account of average correction in price of sponge iron. The moderate financial risk profile of the company characterized by a steady net worth base, comfortable gearing levels and debt protection metrics. 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

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

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 being managed by Mrs. Rashmi Devi Patwari, who boasts decades of industry expertise, the company has leveraged the promoters' experience to cultivate strong relationships with both customers and suppliers. The company also generates 4MW captive power plant and hence not dependent on external power, rather supplying its surplus power to West Bengal State Electricity Board (WBSEB). Under the able management, the company is setting up an 8MW Captive power plant

(CPP; cost of Rs. 76 Cr. already incurred in past but not made operational earlier) with a billet manufacturing unit for forward integration at a project cost of Rs. 41.10 Cr. to be operational by April 2025. This is expected to augment the business risk profile of the Company. Acuite believes that RIL will further enhance its business risk profile in the medium term by capitalizing on the substantial industry knowledge of its promoters.

Steady scale of operations albeit declined revenues in FY 24

The operating income of the RIL stood at Rs.343.03 Cr. in FY24 as against Rs.373.10 Cr. in FY23. The marginal decline was due to volume driven growth being offset by correction in average prices of sponge iron. The capacity utilizations have increased on account of increase in volume sold. Further, the company has achieved Rs. 278.44 Cr. till December 2024. The capex plans of billet manufacturing unit and power plant are expected to enhance their operational efficiencies and topline. The EBITDA margin stood at 3.60 percent in FY24 as against 3.56 percent in FY23. The marginal increase was due to a decline in raw material prices. The price reduction helped the company to maintain inventory stocks and book raw materials in advance for maintaining production. The PAT margin stood at 1.29 percent in FY24 as against 1.23 percent in FY23. The marginal improvement was due to lower interest costs. EBITDA and PAT margins stood at 4.43% and 2.02% respectively till December 2024. Acuite believes the scale of operations will be improved over the medium term backed by commencement of capex plans.

Moderate Financial Risk Profile

The financial risk profile of the company is marked by reducing but healthy net worth, comfortable gearing, and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.111.34 Cr. in FY 2024 as compared to Rs 116.90 Cr. in FY2023. Despite accretion to reserves, the extent of quasi capital decreased from Rs. 15 cr. to Rs.5 cr, resulting in overall reduction in the net worth. Acuite has considered Rs.5.00 crore of unsecured loan as quasi capital as the amount is subordinated with bank debt as on March 31, 2024. The gearing of the company stood at 0.37 times as on March 31, 2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.44 times as on March 31, 2024. The debt protection metrics of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.81 times and debt service coverage ratio (DSCR) of 2.27 times for FY2024. Acuite believes the financial risk profile will remain moderate due to debt funded capex plan.

Moderate Working Capital Management

The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 75 days for FY2024 as compared to 72 days for FY2023. The moderate level of GCA days were mainly on account of inventory days. The inventory days of the company stood at 56 days in FY2024 as against 53 days in FY2023. The company maintains inventory of raw materials for ~2 months and for finished goods over 30 days. RIL sells its finished goods on advance basis. Further, the debtor days of the company stood similar at 1 day for FY2024 and FY2023. Moreover, the GCA days of the company emanates from the other current assets, which mainly consists of advances provided to suppliers of Rs.6.57 Cr. and balance with statutory authorities of Rs. 4.05 Cr. Against this, the creditor days stood at 4 days in FY24 as against 2 days in FY23. Acuite believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

Exposure to cyclicality inherent in steel industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Fall in demand in any of these sectors directly impacts the demand of steel products. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

Rating Sensitivities

- Movement in operating income and profitability
- Debt funded capital expenditure
- Working capital cycle

Liquidity Position

Adequate

The company has adequate liquidity marked by steady but reduced net cash accruals of Rs.7.74 Cr. as on March 31, 2024, as against Rs.1.56 Cr. long term debt obligations over the same period. The cash and bank balance stood at Rs. 8.12 Cr. for FY 2024. Moreover, the cash credit facility has been ~50% percent utilized for the last six months ended January 2025. The current ratio of the company stood comfortable at 2.36 times in FY2024. Further, the

working capital management of the company is moderate marked by Gross Current Assets (GCA) of 75 days for FY2024 as compared to 72 days for FY2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	343.03	373.10
PAT	Rs. Cr.	4.44	4.59
PAT Margin	(%)	1.29	1.23
Total Debt/Tangible Net Worth	Times	0.37	0.29
PBDIT/Interest	Times	3.81	3.21

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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, Acuité 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
19 Dec 2023	Letter of Credit	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	2.93	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.58	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2.69	ACUITE BBB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	5.87	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE BBB Stable (Assigned)
24 Jan 2023	Letter of Credit	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	5.38	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2.69	ACUITE BBB Stable (Assigned)
14 Jan 2022	Letter of Credit	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	5.38	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.38	Simple	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Aug 2030	25.00	Simple	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.69	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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