



**Press Release**  
**CHAMPION ROLLING MILL PRIVATE LIMITED**  
**June 29, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	29.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	15.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	44.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.44.00 crore bank facilities of Champion Rolling Mill Private Limited (CRMPL). The outlook is 'Stable'

**Rationale for reaffirmation**

The reaffirmation of the rating is driven by the improvement in operating income of the company in FY2023. The revenue of the company stood at Rs. 320.63 crore in FY2023(prov.) as against Rs.267.37 crore in FY2022 registering a growth of 20%. The rating also factors in the sustenance of moderate financial risk profile marked by moderate tangible network, moderate gearing level and coverage ratios. However, the rating remains constrained on account of volatile profitability, working capital intensive nature of operations and the susceptibility of the performance of the company on steel prices.

**About the Company**

Incorporated in the year 2004, CRMPL is a Maharashtra-based entity promoted by Mr. Mohd. Yunus Khan, Mr. Mohd. Shafique Khan and Mr. Mohd. Kalim Khan. The company is engaged in the manufacturing and marketing of MS Angles, MS Beams, MS Channels, MS T-Angles, MS Scraps, and sludge in the domestic market with a manufacturing facility is located at Wada, Maharashtra with an installed capacity of 90,000 MTPA.

**Analytical Approach**

Acuite has considered the standalone view of the business and financial risk profile of CRMPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Established track record of operations with experienced management**

CRMPL was established in the early 1970s as Champion Enterprises, a partnership firm by the family of the promoters. The initial business consisted of trading Iron Billets. Later in the year 2004, the constitution of the firm was changed to a private limited company and started

commercial production of MS Angles, Channels, T-Angles, and Beams in the year 2008. The promoters of the company have more than four decades of experience in the steel industry. The extensive experience of the promoters has helped the company to maintain a healthy

relationship with its customers and suppliers. The company has its customers predominantly in Maharashtra.

The revenue of the company stood at Rs. 320.63 crore in FY2023(prov.) as against Rs.267.37 crore in FY2022 registering a growth of 20% yoy. However, the profitability margins remain volatile and the operating profit margin stood at 3.10% in FY2023 (Prov.) as against 3.28% in FY2022. The PAT margin stood at 1.01% in FY2023(prov.) as against 1.12% in FY2022.

Acuité believes that the company will benefit from the extensive experience of the promoters along with a healthy relationship with its customer and suppliers.

### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by moderate tangible network, moderate gearing level and coverage ratios. The tangible net worth of the company stood at Rs. 32.40 crore as on March 31, 2023(prov.) as against Rs.29.15 crore as on March 31, 2022. The company follows a moderate leverage policy as reflected in its peak gearing level of 1.20 times as on March 31, 2023(prov.) as against 1.36 times as on March 31, 2022. The TOL/TNW improved to 1.84 times as on March 31, 2023 (prov.) as against 2.16 times as on March 31, 2022. The total debt of Rs. 38.77 crore outstanding as on March 31, 2023(prov.) comprises of vehicle loans and working capital term loan of Rs. 4.13 crore , unsecured loans from promoters of Rs. 5.92 crore and working capital borrowings of Rs.28.72 crore. The debt protection metrics of the company are moderate as the interest coverage ratio(ICR) stood at 2.60 times in FY2023(prov.) as against 2.65 times in FY2022. The debt-service coverage ratio (DSCR) stood at 2.35 times in FY2023(prov.) as against 2.34 times in FY2022.

Acuité believes the financial risk profile of the company is expected to remain moderate backed by moderate cash accruals and no major debt-funded capex in the near to medium term.

### **Weaknesses**

#### **Working Capital intensive nature of operations**

The operations of the company are of working capital intensive nature marked by moderate GCA days and higher working capital utilisation. The GCA days of the company stood at 86 days in FY2023(prov.) as against 103 days in FY2022. The inventory days stood at 64 days in FY2023(prov.) as against 73 days in FY2022. The debtor days of the company stood at 17 days in FY2023(prov.) as against 20 days in FY2022. The creditor days stood at 20 days in FY2023(prov.) as against 25 days in FY2022. The average working capital utilisation of the bank limits stood higher at 96% for six months ended March 2023.

#### **Inherent cyclicity in the steel industry**

The steel industry is highly fragmented and unorganized. VAPL is exposed to intense competitive pressure from large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry.

### **Rating Sensitivities**

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt coverage indicators or the liquidity position of the entity.

### **Material covenants**

None

### **Liquidity Position**

## **Adequate**

The liquidity position of the company is adequate marked by sufficient net cash accruals against its maturing obligations. The company generated net cash accrual of Rs. 5.38 crore in FY2023 (prov.) against negligible maturing debt obligations. Going ahead , the cash accruals of the company are expected to be in the range of Rs.6.88-8.03 crore during FY2024-2025 against maturing debt obligations of Rs. 0.39-2.15 crore. The average working capital utilisation of the bank limits stood higher at 96% for six months ended March 2023. The company maintains unencumbered cash and bank balance of Rs. 1.64 crore as on March 31, 2023 (prov.)

## **Outlook: Stable**

Acuité believes that CRMPL will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the aforementioned industry. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels along with efficient working capital management. Conversely, the outlook may be revised to 'Negative', if the company faces stretched Working capital cycle or a fall in revenue, or a deterioration in the financial risk profile.

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	320.63	267.37
PAT	Rs. Cr.	3.25	2.99
PAT Margin	(%)	1.01	1.12
Total Debt/Tangible Net Worth	Times	1.20	1.36
PBDIT/Interest	Times	2.60	2.65

### 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>
- 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
05 Apr 2022	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	14.00	ACUITE A3 (Reaffirmed)
23 Mar 2022	Letter of Credit	Short Term	14.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
05 Jan 2021	Letter of Credit	Short Term	14.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	29.00	ACUITE BBB-   Stable   Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:vaishnavi.deshpande@acuite.in">vaishnavi.deshpande@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.