

## Press Release

R P Concast

October 29, 2018

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 12.50 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 12.50 crore bank facilities of R P Concast (RPC). The outlook is '**Stable**'.

RPC, established in 2018, is a Punjab based partnership firm. The firm is promoted by Mr. Gopal Singla, Mr. Ashish Singla and Mrs. Rajni Singla. The firm is in process of setting up a manufacturing unit of alloy steel billets which used in rolling mills for manufacturing of steel coils which are further used in manufacturing of automobile, flex board, cycle parts and pipes with installed capacity of 29, 400 Metric Tonnes per Annum (MTPA). The manufacturing facility is located at Gobindgarh (Punjab). The operations are expected to commence from April 2019.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RPC to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoters of the firm Mr. Gopal Singla and Mr. Ashish Singla who collectively possess around three decades of experience in the steel industry through other group company i.e. R P Multimetals Private Limited (RPMPL) incorporated in 1997. RPMPL has integrated unit which is engaged in manufacturing of steel billets, steel coils/flats, mild steel bars and finished productive pipe which is used in manufacturing of various things like automobile, flex board, cycle parts and pipes.

#### Weaknesses

- **Project implementation and funding risk**

RPC is setting up an alloy steel billets manufacturing unit at an estimated project cost of Rs.16.09 crore to be funded through promoters' contribution of Rs.8.84 crore and term loan from bank of Rs.7.25 crore. The company is yet to achieve financial closure for the debt portion of its project cost. The civil work has commenced from August, 2018 and will be completed by March, 2019. The operations are likely to commence from April, 2019. Hence, the project is exposed to significant project implementation risk in case of time or cost overruns. Acuité believes that RPC's credit performance over the medium term will be exposed to the moderate execution risk and its ability to generate cash flows to commensurate with its debt servicing obligations will be critical.

- **Competitive industry and slowdown in demand**

The company operates in a highly competitive steel products industry thereby putting pressure on capacity utilisation and pricing power. In addition, the industry has been reeling under the pressure of cheaper imports. Slowdown in demand and threat of cheaper imports has resulted in piling up of inventory or operating at low margins. The performance of the company is linked to the steel industry which is cyclical in nature.

#### Outlook: Stable

Acuité believes that RPC will maintain a 'Stable' credit profile over the medium term on the back of experienced promoters. The outlook may be revised to 'Positive' if the firm stabilises operations as scheduled and exhibits an ability to generate cash flows commensurate as per its debt. Conversely, the outlook may be revised to 'Negative' in case of delay in commencement of commercial operations and

slower than expected pick up in revenues affecting its debt servicing ability.

#### **About the Rated Entity - Key Financials**

Not Applicable as the commercial operations are yet to commence.

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

None

#### **Any other information**

None

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/criteria-complexity-levels.htm>

#### **Rating History (Upto last three years)**

Not Applicable

#### **\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B / Stable

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