

## Press Release

### Rattan Ispat Private Limited

February 19, 2021



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.30.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 30.00 Cr bank facilities of Rattan Ispat Private Limited (RIPL). The outlook is '**Stable**'.

### About the company

Established in 2004, Rattan Ispat Private Limited, a Kolkata based company, is engaged in manufacturing of mild steel ingot and trading of various finished steel products like TMT, coil, wire rod, section, angle, joist and pipe. The company is headed by Mr. Rohit Agarwal and Mr. Gautam Agarwal, who have around two decades of experience in the iron & steel industry. Currently, RIPL has an 8-ton Induction Furnace with a capacity of 27,200 MTPA for MS Ingots. The company is undertaking an expansion of their existing unit by installing additional three 20-Ton induction furnaces with a planned capacity of 192,000 MTPA of MS Billets. The project is on schedule and the commercial operation date for the project is 1<sup>st</sup> October, 2021.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Long operational track record and experienced management**

Incorporated in 2004, Rattan Ispat Private Limited (RIPL) has a long operational track record of seventeen years in the iron & steel industry. Acuité believes the long track record has helped RIPL to establish healthy relationship with suppliers and reputed customers and ensure repeat orders. The promoters of the company, Mr. Rohit Agarwal has 21 years of experience and Mr. Gautam Agarwal has 17 years of experience in the industry. Acuité derives comfort from the long experience of the promoters and established relationship with their key stakeholders.

- **Efficient working capital management**

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 46 days as on 31st March 2020 as compared to 39 days as on 31st March 2019. The GCA days are low on account of low inventory days and debtor days. The inventory holding period stood low at 5 days as on 31st March 2020 as compared to 11 days as on 31st March 2019. The debtor period stood moderate at 23 days as on 31st March 2020 as compared to 25 days as on 31st March 2019. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from prudent collection mechanism and comfortable inventory levels over the medium term.

#### Weakness

- **Project funding and implementation risk**

RIPL is currently in capital expenditure mode and is setting up an additional billet manufacturing capacity of

192,000 mtpa at its existing plant premises. The total estimated project cost is around Rs.55.50 Cr, which will be funded by Rs.24.50 Cr of promoters' contribution and Rs. 31.00 Cr of bank debt. The financial closure is yet to be attained, thus exposing the company to significant funding risk. The timely sanction of bank borrowings and scheduled completion of the project would remain key monitorables.

- **Intense competition and inherent cyclical nature of the steel industry**

The industry remained heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

#### **Rating Sensitivity**

- Improvement in the scale of operation while improving profitability margin
- Timely completion of the ongoing capex
- Sustenance of their financial risk profile

#### **Material Covenant**

None

#### **Liquidity Profile: Adequate**

The company's liquidity is adequate marked by steady net cash accruals of Rs.1.29 Cr as on March 31, 2020 as against long term debt repayment of Rs.0.08 Cr over the same period. The current ratio stood comfortable at 1.33 times as on March 31, 2020 as compared to 1.32 times as on March 31, 2019. The fund based limit remains utilised at only 22 per cent over the eight months ended November, 2020. The company has not availed loan moratorium but applied for additional COVID loan of Rs.0.35 Cr. The cash and bank balances of the company stood at Rs.0.05 Cr as on March 31, 2020 as compared to Rs.0.04 Cr as on March 31, 2019. Acuité believes that going forward, the company will maintain adequate liquidity position due to steady accruals.

#### **Outlook: Stable**

Acuité believes that the outlook on RIPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins, deterioration in financial risk profile or any sharp delays in project completion, leading to cost overruns.

#### **About the Rated Entity - Key Financials (Consolidated)**

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	200.15	222.86
PAT	Rs. Cr.	1.03	0.86
PAT Margin	(%)	0.51	0.39
Total Debt/Tangible Net Worth	Times	0.20	0.31
PBDIT/Interest	Times	3.70	5.02

#### **Status of non-cooperation with previous CRA**

Not Applicable

#### **Any other information**

Not Applicable

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

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

<https://www.acuite.in/view-rating-criteria-55.htm>

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

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Mar-2020	Cash Credit	Long Term	4.80	ACUITE BB+/Stable (Assigned)
	Proposed Term Loan	Long Term	24.75	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	0.45	ACUITE A4+ (Assigned)

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BB+/Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	24.75	ACUITE BB+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE A4+ (Reaffirmed)

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#### About Acuité Ratings & Research

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