

**Press Release**  
**Rimjhim Ispat Limited**

**January 06, 2023**



**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	275.00	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	235.00	-	ACUITE A1   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	510.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating at '**ACUITE A**' (read as **ACUITE A**) and the short term rating at '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.510.00 crore bank facilities of Rimjhim Ispat Limited (RIL). The outlook is '**Stable**'.

**Rationale for reaffirmation**

Rating reaffirmation takes into account the vintage of operations, experience of management, improvement in operational and financial risk profile of the group. Group has earned revenue of Rs. 5172.14 Cr in FY 2022 (Audited) achieving growth of 64.70% over FY 2021 (Audited) wherein revenue stood at Rs. 3140.38 Cr. Group has registered growth in profitability wherein EBITDA margin has improved from 9.98% in FY 2021 to 10.44% in FY 2022. Further the financial risk profile of the group remains healthy marked by healthy net worth, gearing and debt protection metrics. However, since the company has acquired a new unit by the name of BRG Iron and Steel Co. Pvt. Ltd. which is an Orissa based entity and there is ongoing capex in the melting unit of Rimjhim Ispat Limited, the performance of BRG Iron and Steel which has commenced operations from October and the stabilization of operations in the newly added capacity will remain key rating sensitivities.

**About Company**

Uttar Pradesh based, RIL was incorporated in 1991 as 'Vandana Casting Private Limited' and later in 1994 the company name and the constitution was changed to "Rimjhim Ispat Limited". The company is engaged in the manufacturing of stainless steel billets, stainless steel slabs, round bright bars, wire rods and fine wires with the overall installed capacity of 3,50,000 metric tons per annum.

**About the Group**

Rimjhim Group (RG) comprises of three companies, namely, Rimjhim Ispat Limited, Juhi Alloys Limited and Rimjhim Stainless Limited. The group is promoted by the Agarwal family viz Mr. Yogesh Agarwal and Mr. Sanjeev Kumar Agarwal along with Mr. Rajeev Kumar Goel. The group produces a wide range of products which are used in numerous industries including construction, automotive, appliances, industrial machinery and oil & gas industries among



others. The group has a strong presence in domestic market of over three decades along with geographical diversification of customers in states likes Delhi, Uttar Pradesh, Gujrat, Rajasthan and Maharashtra. Also in FY 2022 the group has acquired BRG Iron and Steel Co. Pvt. Ltd., an Orissa based entity involved in manufacturing of sponge iron, stainless steel slabs, stainless steel hot rolled coils/plates and stainless steel cold rolled coils.

### **Analytical Approach**

#### **Extent of Consolidation**

- Full Consolidation

#### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the financial and business risk profile of Rimjhim Ispat Limited (RIL), Rimjhim Stainless Limited (RSL) and Juhi Alloys Limited (JAL) together referred to as the 'Rimjhim Group' (RG). The consolidation is in view of the common ownership, cross corporate guarantees extended by the group companies for bank facilities and strong operational and financial linkages within the group.

### **Key Rating Drivers**

#### **Strengths**

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

The Rimjhim Group commenced its operations in 1990 under the leadership of Agarwal family and thus the group has a long track record of operations of more than three decades in the steel industry. Currently, the day-to-day operations of the group are managed by Mr. Yogesh Agarwal, Mr. Sanjeev Agarwal and Mr. Rajeev Goel along with other industry veterans with an experience of over three decades in the aforementioned industry and is well supported by second line of experienced management team. The established presence along with experienced management has helped the group to maintain long and healthy relationship with its customers and suppliers. The group has benefitted by its established position in the market along with experienced management which is further exemplified by many awards won by them some of them being, 2-Star Export House by Directorate General of Foreign Trade, India in 2018-19 and 2019-20 and Star Performer Award for 2013-14 in Iron & Steel (Medium Enterprise) by Engineering Export Promotion Council (EEPC), India. Acuité believes Rimjhim group will continue to benefit from its long track of operations, strong presence of the group in domestic market and the rich experience of the management over the medium term.

#### **Healthy financial risk profile**

Group has healthy financial risk profile marked by healthy net worth, gearing and debt protection metrics. Tangible net worth in FY 2022 stood at Rs. 1029.46 Cr as against Rs. 698.58 Cr in FY 2021. Total debt of Rs. 528.88 Cr in FY 2022 consists of Rs. 123.49 Cr of long term debt, Rs. 46.76 Cr of unsecured loans, Rs. 334.49 Cr of working capital borrowings and Rs. 24.13 Cr of CPLTD. Gearing has remained healthy at 0.51 times and 0.50 times in FY 2022 and 2021 respectively. Interest coverage ratio improved year on year from 4.33 times in FY 2020 to 8.55 times in FY 2021 and further improved to 12.64 times in FY 2022. DSCR improved from 3.90 times in FY 2021 to 6.11 times in FY 2022. NCA/TD improved from 0.64 times in FY 2021 to 0.72 times in FY 2022. TOL/TNW moderated 1.09 times in FY 2021 to 1.22 times in FY 2022. Debt-EBITDA improved from 1.11 times in FY 2021 to 0.97 times in FY 2022.

#### **Weaknesses**

##### **Working capital intensive nature of operations**

Group's operations are moderately working capital intensive marked by GCA days of 110 in FY 2022. GCA days are marked by moderate inventory, debtors and high current assets. Inventory period has improved from 67 days in FY 2021 to 49 days in FY 2022. Debtor realization period has declined from 37 days in FY 2021 to 29 days in FY 2022. Creditor days moderated from 52 days in FY 2021 to 45 days in FY 2022. Average bank limit utilization on a consolidated level for the group between October 2021 to September 2022 stood at 74.31%.

#### **Intense competition and inherent cyclical nature of steel industry**



Competition in the Indian secondary steel industry is intense due to the presence of a large number of unorganized and organized players with limited differentiation in end products. Demand for steel products predominantly depends on the construction and infrastructure sectors. Thus RG's business risk profile is exposed to the inherent cyclicity in these sectors. Further the group is also engaged in the exports of their products overseas where it is prone to risk of currency fluctuation along with threat of trade barriers from various countries.

### Rating Sensitivities

- Regularization and scale up of operations in the newly acquired BRG Iron and Steel Co. Pvt. Ltd.
- Timely completion of capex and stabilization of operations in the newly added capacities.

### Material Covenants

None.

### Liquidity Position

#### Strong

Group has strong liquidity marked by high net cash accruals, comfortable debtor realization and moderate bank limit utilization. Group in FY 2022 generated net cash accruals of Rs. 382.23 Cr against maturing debt obligation of Rs. 26.40 Cr. Average bank limit utilization on a consolidated level for the group between October 2021 to September 2022 stood at 74.31%.

### Outlook : Stable

Acuité believes that Rimjhim Group will maintain a 'Stable' outlook over the medium term on the back of vast promoter experience and well established presence of the group in the steel industry. The outlook may be revised to 'Positive' in case the group is able to generate healthy revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle, thereby impacting its liquidity or further deterioration in its financial risk profile.

### Other Factors affecting Rating

None.

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	5172.14	3140.38
PAT	Rs. Cr.	326.89	171.82
PAT Margin	(%)	6.32	5.47
Total Debt/Tangible Net Worth	Times	0.51	0.50
PBDIT/Interest	Times	12.64	8.55

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

None

### Any Other Information

None.

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Nov 2021	Letter of Credit	Short Term	112.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	170.75	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Proposed Bank Facility	Long Term	37.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	31.50	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	31.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	9.75	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	51.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	3.75	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Bank Facility	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	27.75	ACUITE A1 (Upgraded from ACUITE A2+)
06 Aug 2020	Cash Credit	Long Term	31.50	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	170.95	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	9.75	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	112.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	18.75	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	3.75	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	9.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	31.50	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Long Term	13.30	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	37.50	ACUITE A-   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	31.50	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	173.50	ACUITE A   Stable   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE A   Stable   Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1   Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1   Reaffirmed
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A1   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	112.00	ACUITE A1   Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	25.00	ACUITE A1   Reaffirmed



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### 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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