

Press Release
Rimjhim Ispat Limited
April 05, 2024



Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	275.00	ACUITE A Reaffirmed & Withdrawn	-
Bank Loan Ratings	180.00	-	ACUITE A1 Reaffirmed & Withdrawn
Bank Loan Ratings	55.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	510.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn its long-term rating of '**ACUITE A**' (read as **ACUITE A**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 455.00 crore bank facilities of Rimjhim Ispat Limited (RIL). Further Acuite has withdrawn its short-term rating on Rs. 55.00 crore bank facilities without assigning any rating of Rimjhim Ispat Limited (RIL). The withdrawal is as per the request received from the company and NOC and NDC received from the lenders as per the Acuite's policy on withdrawal of ratings.

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. 4926.71 Cr. in FY 2023 (Audited). Further the financial risk profile of the group remains healthy marked by healthy net worth, gearing and debt protection metrics. However, since the company had acquired a new unit by the name of BRG Iron and Steel Co. Pvt. Ltd. which is an Orissa based entity has now got merged in Rimjhim Ispat Limited in December 2023 with appointed date as 31st March 2022 the synergy of the same needs to be monitored. The capex in the melting unit of Rimjhim Ispat Limited is completed 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, fine wires, HR & CR Coil.

About the Group

Rimjhim Group (RG) comprises of three companies, namely, Rimjhim Ispat Limited, Juhi Alloys Private 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 had acquired BRG Iron and Steel Co.

Pvt. Ltd. (BRG), 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. BRG now stands merged with Rimjhim Ispat Limited since December 2023 with appointed date as 31 March 2022.

Unsupported Rating

Not Applicable

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 Private Limited (JAPL) 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 2023 stood at Rs. 2041.86 Cr. as against Rs. 1807.30 Cr. in FY 2022. Total debt of Rs. 1017.58 Cr. in FY 2023 consists of Rs. 435.87 Cr. of long term debt, Rs. 27.66 Cr. of unsecured loans, Rs. 513.83 Cr. of working capital borrowings and Rs. 40.22 Cr. of CPLTD. Albeit moderation gearing has remained healthy at 0.50 times in FY 23 as against 0.29 times in FY22. Interest coverage ratio even after moderation remained comfortable at 6.39 times in FY23 vis-à-vis 12.60 times in FY22. The moderation is a combined effect of lower margin and higher interest obligations. Likewise, DSCR also saw moderation however remained comfortable at 4.02 times in FY23 vis-à-vis 7.04 times in FY22. DEBT EBITDA position of the company has seen sharp dip from 0.97 times in FY22 to 2.14 times in FY23.

Healthy Sales & Profitability

Group has earned revenue of Rs. 4926.71 Cr. in FY 2023 i.e. de-growth of 1.93% over FY 2022 wherein revenue stood at Rs. 5023.68 Cr. The dip is driven by decrease in realization on each MT of products sold and lower volume in FY 2023 as compared to FY 2022. Group has registered decline in profitability. EBITDA margin has declined from 10.76% in FY 2022 to 9.55% in FY 2023. The dip in profitability is on account of lower absorption of fixed cost as the additional capacity from BRG Iron & Steel was not utilized at optimum level resulting into

higher fixed cost in FY23. Similarly, PAT margin declined from 7.78% in FY 2022 to 4.38% in FY 2023 on account of higher depreciation and interest expenses due to merger and ongoing capex.

Weaknesses

Working Capital Management

Group's operations are moderately working capital intensive marked by GCA days of 151 in FY 2023. GCA days are marked by high inventory, moderate debtors and high current assets. Inventory period has declined from 53 days in FY 2022 to 100 days in FY 2023 on account of higher SKU and slow inventory movement as the company is still in the product approval phase from customer for its flat products manufactured in BRG Iron. Debtor realization period has increased from 29 days in FY 2022 to 33 days in FY 2023. Creditor days increased from 47 days in FY 2022 to 84 days in FY 2023. Average bank limit utilization on a consolidated level for the group between January 2023 to December 2023 stood at 98.93%.

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

Not Applicable

Liquidity Position

Adequate

Group has adequate liquidity marked by high net cash accruals and comfortable debtor realization however the bank limit utilization remained high. Group in FY 2023 generated net cash accruals of Rs. 321.84 Cr. against maturing debt obligation of Rs. 24.13 Cr. Average bank limit utilization on a consolidated level during January 2023 to December 2023 stood at 98.93%. Group has unencumbered cash and bank position of Rs. 25.98 Cr. in FY 2023. However, it is expected that the liquidity profile of the company will improve with expected cash accruals for FY24 & FY25 of Rs. 370 Cr. and 480 Cr. respectively as against debt obligation expected between Rs. 40 Cr. to Rs. 50 Cr.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	4926.71	5023.68
PAT	Rs. Cr.	215.77	390.89
PAT Margin	(%)	4.38	7.78
Total Debt/Tangible Net Worth	Times	0.50	0.29
PBDIT/Interest	Times	6.39	12.60

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

Not Applicable

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, 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2023	Cash Credit	Long Term	31.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	173.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	112.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A1 (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Reaffirmed)
05 Nov 2021	Letter of Credit	Short Term	112.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	3.75	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	31.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	27.75	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Short Term Bank Facility	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	170.75	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	9.75	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	31.50	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	51.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Long Term Bank Facility	Long Term	37.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	31.50	ACUITE A Reaffirmed & Withdrawn
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	173.50	ACUITE A Reaffirmed & Withdrawn
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	70.00	ACUITE A Reaffirmed & Withdrawn
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Reaffirmed & Withdrawn
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	Not Applicable Withdrawn
Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE A1 Reaffirmed & Withdrawn
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	112.00	ACUITE A1 Reaffirmed & Withdrawn
ICICI Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	Not Applicable Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

- 1 RIMJHIM ISPAT LIMITED
- 2 JUHI ALLOYS LIMITED
- 3 RIMJHIM STAINLESS LIMITED

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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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