

## Press Release

### Rimjhim Stainless Limited

November 05, 2021



### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs.36.75 Cr.
<b>Long Term Rating</b>	ACUITE A/ Outlook: Stable (Upgraded from ACUITE A-/Stable)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded its long term rating to '**ACUITE A**' (**read as ACUITE A**) from '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs.36.75 Cr. bank facilities of Rimjhim Stainless Limited (RSL). The outlook is '**Stable**'.

#### Rationale for rating upgrade

The rating upgrade is on account of augmentation in the business risk profile marked by moderate growth in scale of operations followed by improvement in profitability margins despite the impact of covid-19 pandemic. The rating also draws comfort from long track record of operations, healthy financial risk profile and strong liquidity position of the group. The rating also factors in long & extensive experience of promoters in the steel business and strong long term relationships with its customers and suppliers. However, these strengths are partly offset by working capital intensive nature of operations with inherent cyclical nature of the steel industry and intense competition.

The consolidated revenue from operations of the group improved to Rs.3031.08 Cr. in FY21 (Provisional) as against Rs.2834.85 Cr. in FY20 resulting in a YoY growth of ~7 percent. The increase in revenues is on account of recovery in demand for stainless steel products in H2FY21 after impact of revenues owing to covid-19 pandemic during H1FY21. Furthermore, the operating profit margin of the group also improved to 9.85 percent in FY21 (Provisional) as against 7.53 percent in FY20 majorly on account of decline in power costs. Furthermore, the operations of the group are working capital intensive in nature marked by deterioration in GCA days to 136 days for FY21 (Provisional) as against 112 days for FY20. Acuité however believes that the operations of the group will continue to improve owing to the strong demand for stainless steel products and gradual recovery of the economy after the covid-19 pandemic.

#### About the Company

Uttar Pradesh based, RSL was incorporated in 2002 and is engaged in the processing of stainless steel products, mild steel wire rods, structures, hot rolled coil, cold rolled coil etc. The manufacturing facilities of the company are located in Unnao district of Uttar Pradesh. The total installed capacity of the company is 367000 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 like Delhi, Uttar Pradesh, Gujarat, Rajasthan and Maharashtra.

#### Analytical Approach

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. Extent of Consolidation: Full.

## **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.

- **Improvement in scale of operations and profitability**

The consolidated revenues of the group stood at Rs.3031.08 Cr. in FY21 (Provisional) reflecting a growth of ~7 percent YoY compared against Rs.2834.85 Cr. in FY20. The increase in revenues is on account of healthy demand of stainless steel products witnessed in H2FY21 after marginal impact of revenues owing to covid-19 pandemic during H1FY21. The major impact in revenues was reflected in the operations of JAL r as most of its customers were SME players whose business was impacted the most during the covid-19 pandemic. However, the profitability of the group also improved during FY21 (Provisional) marked by increase in operating profit margin to 9.85 percent in FY21 (Provisional) as against 7.53 percent in FY20 followed by increase in PAT margin to 5.60 percent as against 3.07 percent during the same period. The improvement was majorly on account of reduction in power cost during the period.

Acuité believes that the group's scale of operations is likely to improve going ahead on account of improved demand of steel products and gradual recovery in the economy.

- **Healthy financial risk profile**

The financial risk profile of the group is healthy marked by healthy net worth, comfortable gearing and healthy debt protection metrics and coverage indicators. The net worth of the group stood healthy which stood at Rs.840.49 Cr. (including Rs.142.43 Cr. as quasi-equity) as on March 31, 2021 (Provisional) as compared against Rs.653.03 Cr. (including Rs.127.08 Cr. as quasi-equity). The net worth levels have seen improvement on account of healthy accretion of reserves and increase in quasi-equity during the period. The gearing level of the group remained comfortable at 0.33 times as on March 31, 2021 (Provisional) as against 0.39 times same period last year. The total debt of Rs.278.82 Cr. as on 31 March 2021 (Provisional) comprised of long-term borrowings of Rs.65.48 Cr. and working capital borrowings of Rs.213.34 Cr.

Healthy profitability of the group has led to healthy debt coverage indicators marked by debt-service-coverage-ratio of 3.79 times for FY2021 (Provisional) as against 2.23 times for FY2020 and interest coverage ratio of 8.01 times for FY2021 (Provisional) as against 4.33 times for FY2020. Furthermore, the total outside liabilities to total net worth (TOL/TNW) ratio stands healthy at 0.91 times as on 31 March, 2021 (Provisional).

Acuité believes that the financial risk profile of the group will continue to remain healthy on account of healthy profitability and net worth.

### **Weaknesses**

- **Working capital intensive nature of operations**

The group operations are working capital intensive in nature as reflected by deterioration in Gross Current Assets (GCA) from 112 days for FY2021 (Provisional) as compared to 136 days for FY2020. The deterioration is on account of increase in inventory days to 70 days for FY21 (Provisional) compared against 60 days same period last year. The debtor days of the group stood at 35 days for FY21 (Provisional) compared against 32 days for FY20. Furthermore, the creditor days of the group stood at 57 days for FY21 (Provisional) as against 40 days for FY20. However, despite being working capital intensive nature of operations, the group's average working capital utilization stood around 50 percent in last six months ended Aug, 2021 owing to

healthy profitability achieved by the group and the current ratio stood at 1.54 times as on March 31, 2021 (Provisional).

Acuité believes that the working capital management of the group will be continue to remain a key rating sensitivity factor over the medium term.

**• 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 cyclical nature 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**

- Significant improvement in scale of operations while maintaining profitability margins thereby improving the financial risk profile
- Deterioration in working capital management leading to stretched liquidity

**Material Covenants**

None

**Liquidity position: Strong**

The liquidity profile of the RG is strong marked by healthy net cash accruals against maturing debt obligations. The group generated cash accruals in the range of Rs.222.26 Cr. against repayment obligations of Rs.26.41Cr. during FY21. Despite working capital intensive nature of operations, the average bank limit utilization of the group stood moderate at around 50 percent for the last six months ending on Aug, 2021. The cash and bank balance stood at Rs.15.55 Cr. and current ratio of the group stood at 1.54 times as on 31 march 2021 (Provisional). Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accruals against matured debt obligations over the medium term.

**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.

**About the Rated Entity - Key Financials**

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	3031.08	2834.85
PAT	Rs. Cr.	169.75	87.10
PAT Margin	(%)	5.60	3.07
Total Debt/Tangible Net Worth	Times	0.33	0.39
PBDIT/Interest	Times	8.01	4.33

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

Not Applicable

**Any other information**

None

**Applicable Criteria**

- Entities in manufacturing sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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. Cr.)	Ratings/Outlook
06-Aug-2020	Cash Credit	Long term	9.19	ACUITE A-/Stable (Assigned)
	Cash Credit	Long term	18.37	ACUITE A-/Stable (Assigned)
	Cash Credit	Long term	9.19	ACUITE A-/Stable (Assigned)

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

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Indian Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.19	ACUITE A / Stable (Upgraded from ACUITE A-/Stable)
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.37	ACUITE A / Stable (Upgraded from ACUITE A-/Stable)
Union Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.19	ACUITE A / Stable (Upgraded from ACUITE A-/Stable)

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**About Acuité Ratings & Research:**

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