

Press Release
Rimjhim Stainless Limited

January 06, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.75	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	36.75	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating at '**ACUITE A**' (read as **ACUITE A**) on the Rs.36.75 Cr. bank facilities of Rimjhim Stainless Limited (RSL). 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, 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 likes Delhi, Uttar Pradesh, Gujarat, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Nov 2021	Cash Credit	Long Term	18.37	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	9.19	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	9.19	ACUITE A Stable (Upgraded from ACUITE A- Stable)
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	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.19	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.37	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.19	ACUITE A Stable Reaffirmed

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About Acuité Ratings & Research

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