

**Press Release**  
**RIMJHIM STAINLESS LIMITED**  
**May 10, 2024**  
**Rating Assigned and Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.25	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	36.75	ACUITE A   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

**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). Acuite has also assigned its long-term rating of 'ACUITE A' (read as ACUITE A) on the Rs 38.25 Cr. bank facilities of Rimjhim Stainless Limited. The outlook remains 'Stable'.

**Rationale for rating**

Rating 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, 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 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**

- Substantial improvement in scale of operation while improving the profitability position
- Improvement in capacity utilization of the group
- Improvement in working capital intensity

### **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 and 480 Cr. respectively as against debt obligation expected between Rs. 40 Cr. to Rs. 50 Cr.

### **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 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 Apr 2024	Cash Credit	Long Term	18.37	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.19	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.19	ACUITE A   Stable (Reaffirmed)
06 Jan 2023	Cash Credit	Long Term	9.19	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	18.37	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.19	ACUITE A   Stable (Reaffirmed)
05 Nov 2021	Cash Credit	Long Term	9.19	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	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)

## 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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.38	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.37	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.13	ACUITE A   Stable   Assigned
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.12	ACUITE A   Stable   Assigned

**\*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

## Contacts

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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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