



Press Release
Rimjhim Stainless Limited
December 24, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	450.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	75.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	525.00	-	-
Total Withdrawn Quantum (Rs.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. 75.00 Cr. bank facilities of Rimjhim Stainless Limited (RSL). The outlook remains ‘**Stable**’.

Acuite has also assigned its long-term rating of ‘**ACUITE A**’ (read as **ACUITE A**) on the Rs 450.00 Cr. bank facilities of Rimjhim Stainless Limited. The outlook is ‘**Stable**’.

Rationale for rating

The rating reaffirmation reflects steady scale of operations as the company has sold higher volumes despite moderation of realisation in FY24 compared to FY23 and were able to increase the capacity utilization in FY24. However the profitability has been declined due to the lower average realization per Metric tonne. The operating margin has decline from 9.54% in FY23 to 8.46% in FY24. The company continues to have a healthy financial risk profile and adequate liquidity. However the rating remains constrained on account of intensive working capital operations and susceptibility in profitability due to volatility in raw material prices.

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 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 (3 star) Export House by Directorate General of Foreign Trade, India in 2018-19 and 2019-20 (on 30.09.2022 valid for five years from 27.09.22) and Star Performer Award for 2013-14 in Iron & Steel (Medium Enterprise) by Engineering Export Promotion Council (EEPC), India. Acuite 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 revenue albeit decline in profitability

The group has reported revenue of Rs. 5204.36 Cr. in FY24 against Rs. 4912.52 Crore in FY23. Group has registered decline in profitability. EBITDA margin has declined from 10.76% in FY2022 to 9.54% in FY 2023 and to 8.46% in FY 2024. Group has the order book of Rs. 561 Cr. as on Sept 2024. The dip in profitability is on account of lower realization per MT and increase in competition in the industry. Similarly, PAT margin declined from 4.35% in FY 2023 to 2.43% in FY 2024 on account of higher depreciation and interest expenses due to ongoing capex. Acuite believes that going forward the scale of operations will improve due to augmentation of new capex in pipeline, however, movement in profitability margin will be a key monitorable.

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 2024 stood at Rs. 2180.81 Cr. as against Rs. 2041.86 Cr. in FY 2023 due to accretion to reserves. The total debt of the group stood at Rs. 1309.20 Cr. as on 31st March 2024. Albeit moderation, gearing has remained healthy at 0.60 times in FY 24 as against 0.50 times in FY23. Interest coverage ratio even after decline remained comfortable at 2.86 times in FY24 against 6.36 times in FY23. The moderation is a combined effect of lower margin and higher interest obligations. Likewise, DSCR also saw moderation, however remained comfortable at 2.04 times in FY24 against 4.00 times in FY23. Debt- EBITDA position of the group has seen increase from 2.15 times in FY23 to 2.93 times in FY24. Acuite believes that financial risk profile of the group will remain healthy going ahead with ongoing capex.

Weaknesses

Intensive Working Capital Operations

Group's operations are moderately working capital intensive marked by GCA days of 156 days in FY 2024. GCA days are marked by high inventory, moderate debtors and high current assets. Inventory period has increased from 100 days in FY 2023 to 112 days in FY 2024 on account of operationalization of their Odisha plant (BRG Iron & Steel) in FY24. Debtor realization period was at similar level from 33 days in FY 2023 to 32 days in FY 2024. Creditor days has improved from 85 days in FY 2023 to 60 days in FY 2024. Acuite believes that the operations of the group will continue to remain working capital intensive 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 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

- Movement in scale of operation while improving the profitability position
- Movement in working capital operations
- Timely execution of the Capex

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 2024 generated net cash accruals of Rs. 244.81 Cr. against maturing debt obligation of Rs. 40.22 Cr. Average bank limit utilization of fund based facilities on a consolidated level during July 2024 to November 2024 stood at ~88.55% and non- fund based bank facilities stood at ~78.82%. Group has unencumbered cash and bank position of Rs. 56.40 Cr. in FY 2024. Current ratio of the group is stood at 1.58 times in FY24. Acuité believes that the liquidity position of the group will remain adequate on account of healthy net cash accruals against matured debt obligations over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	5204.36	4912.52
PAT	Rs. Cr.	126.24	213.84
PAT Margin	(%)	2.43	4.35
Total Debt/Tangible Net Worth	Times	0.60	0.50
PBDIT/Interest	Times	2.86	6.36

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 May 2024	Cash Credit	Long Term	19.12	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	19.13	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	18.37	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	18.38	ACUITE A Stable (Reaffirmed)
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	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	37.50	Simple	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.	37.50	Simple	ACUITE A Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.25	Simple	ACUITE A Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2027	118.75	Simple	ACUITE A Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2033	325.00	Simple	ACUITE A Stable Assigned

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

Sr. No.	Company name
1	Rimjhim Ispat Limited
2	Juhi Alloys Private Limited
3	Rimjhim Stainless Limited

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About Acuité Ratings & Research

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