



Press Release
RCR STEEL WORKS PRIVATE LIMITED
July 11, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

Rating Rationale

Acuité has assigned its short term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs 20.00 Cr bank facilities of RCR Steel Works Private Limited .

Rationale for the rating

The rating reflects the operational synergies derived from the Rungta group (ACUITE A-) and promoter's long experience in the metal & mining industry. The rating also factors in the absence of any offtake/demand risk.. However, these strengths are partly offset by the company's exposure to implementation risks and expected leverage capital structure.

About Company

RCR Steel Works Private Limited has a coal reserve in Patal East (Eastern Part), in the district of Ranchi and Hazaribagh, in the state of Jharkhand. The mine has just been allocated to RSWPL, expected to be used for captive consumption of Rungta group, going forward in the form of backward integration. The total area of the block is 3.4 sq.km. The mine has a tentative Total Coal Reserves of 35 MT. The targeted capacity for mining is 0.30 MT per year.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt.

Support

Acuité has considered the consolidated business and financial risk profile of Rungta Metals Steel Private Limited(RMSPL) and RCR Steel Works Private Limited (RSWPL) as these two companies are in the same line of business, share

common management and have strong operational and financial linkages. The group herein is referred to as RCR Group.

Key Rating Drivers

Strengths

Experienced management

The company's directors, Mr. Alok Rungta and Mr. Abhishek Rungta, have more than three decades of experience working in the mining and metals industries through the Rungta Group. In addition to being a director of Araanya Mines Private Limited and Maa Chhinnmastika Cement and Ispat Private Limited, which manufacture sponge iron, MS billet, rolling mills, and engage in merchant mining, respectively, Alok Rungta also serves on the board of these companies. Mr. Abhishek Rungta currently serves as a director for the sponge iron manufacturing company Alope Steels Industries Private Limited as well as the merchant mining company Araanya Mines Private Limited. In their respective core businesses, both directors have established a large network of suppliers and clients, which will be beneficial to the current project.

Synergies with Rungta Group Companies

The group has a strategic linkage with Rungta Group. Rungta Group's operations are expected to benefit from the presence of captive mines with the RCR group which are in turn managed by the RCR group. Coal is one of the major raw materials for the production of sponge iron. Once these mines are operational, the Rungta Group will benefit significantly from the easy and assured availability of coal which will result in overall improvement in the business risk profile of the Rungta Group and will significantly result in improvement in profitability. However, having captive mines not only improves the profitability in terms of low cost of acquisition of raw materials but at the same time also ensures uninterrupted supply of the key raw materials. Acuite expects Rungta group to reap benefit post commissioning of the mines which is expected to reduce the dependence on external supplies of coal, boosting the bottom line of the entire group.

Weaknesses

Inherent project implementation risks

RCR group's mines are currently under implementation stage which exposes it to execution risk, including time and cost overrun risk. However, the risk is mitigated to an extent by the execution track record of the group. The commercial operations are likely to begin from FY26. Most of the necessary approvals are yet to be obtained by the company.

Project stabilisation risk

As the mines are under implementation stage, the track record of profitable operations is yet to be established. Ability to execute the project in a timely

manner with no cost or time overruns and early stabilization of the project are key credit sensitivities.

Acuité would continue to monitor the project progress, and the track record of operations, once commercialized, and take rating actions appropriately.

Rating Sensitivities

Timely completion of the project without any cost or time overrun

Timely stabilisation of operations

Material Covenants

None

Liquidity Position

Adequate

The company has adequate liquidity profile marked by strong resource mobilization from its parent entity. However, the company is yet to avail of any fund based facility as on date.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	0.00	0.00

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-criteria53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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. -or more details. please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	R
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	17.46	A / A
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.54	A / A

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Anik Das Senior Manager-Rating Operations Tel: 022-49294065 anik.das@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.