



**Press Release**  
**RCR STEEL WORKS PRIVATE LIMITED**  
**October 03, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the short term rating to ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on Rs. 20.00 Cr. bank facilities of RCR Steel Works Private Limited.

**Rationale for Reaffirmation**

The rating reflects the operational synergies derived from the Jharkhand group (ACUITE A-/A2+/Stable) and promoter’s long experience in the industry. 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 was incorporated in 2022, in Jharkhand. The company have been allocated a coal reserve in Patal East (Eastern Part), in the district of Ranchi and Hazaribagh, in the state of Jharkhand. The total area of the block is 3.1617 sq.km. The mine has a total Coal Reserves of 64.478 MT. The targeted capacity for mining is 0.30 MT per year. The mine is expected to be used for captive consumption of Jharkhand group, going forward in the form of backward integration. Mr. Alok Rungta & Mr. Ashish Rungta are the directors of the company.

**About the Group**

Incorporated in 2021, Rungta Metals Private Limited is based in Delhi. The company have been allocated coal reserve in Choritand Tilaiya in the district of Bokaro, Hazaribagh, in the state of Jharkhand. The total area of the coal block is 2.9973 sq. km. Total Coal Reserves is 97.035 MT. The targeted capacity for mining is 0.78 MT per Year. The period of mine lease is of 30 years. In that respect the Jharkhand Group is in the process of developing coal mines to be used for captive consumption. Mr. Alok Rungta, Mr. Abhishek Rungta & Mr. Anil Kumar Pathak are the directors of the company.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

**Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuite has consolidated Rungta Metals Private Limited and RCR Steel Works Private Limited as these two companies are in same line of business and share common management. These companies are a part of Jharkhand Group.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced management**

The group is promoted by the Jharkhand based Rungta family. The group is headed by Mr. R.C. Rungta, who has more than four decades of experience in the steel and mining business through other group concerns.

##### **Linkages with Jharkhand Group**

Jharkhand Group is engaged in manufacturing of sponge iron and billet that continues to remain the main source of earning. Coal is one of the major raw materials to produce sponge iron. The Jharkhand group has acquired Araanya Mines Private Limited (AMPL) and achieved linkage of coal partially. Further the group has also acquired two more coal blocks i.e. RSWPL and RMPL.

Once these mines are operational, the group will be benefited significantly from the easy and assured availability of coal which will result in overall improvement in business risk profile and profitability in terms of low-cost acquisition of raw materials. At the same time, it also ensures uninterrupted supply of the key raw materials. With these three acquisitions, the group will be able to meet 100 percent of the coal requirements inhouse.

## **Weaknesses**

### **Inherent project implementation risks**

RCR group's mines are currently under development stage which exposes it to execution risk including time and cost overrun risk. Also there are a few clearances and approvals pending in the project at present. However, the risk is mitigated to an extent by the execution track record of the group. The commercial operations are likely to begin from FY2028.

### **Project stabilisation risk**

As the mines are under implementation stage, the track record of profitable operations is yet to be established. The Group's ability to achieve healthy capacity utilisation and generate healthy cash accruals will be important for its credit profile.

### **Expected Leveraged Capital Structure**

The group's capital structure is expected to remain below average marked by low net worth and gearing below unity over the medium term. The adjusted tangible net worth of the company improved to Rs. 41.04 Cr. in FY2024 (Provisional) as compared to Rs. 3.70 Cr. in FY2023 due to infusion of capital by the promoters. The gearing is 0.56 times in FY24 Provisional as against 0.70 times in FY23. The project is funded through promoters' contribution of Rs. 57.13 Cr. in FY24 Provisional. The promoters will infuse any incremental funding requirement on need basis. Acuite believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure.

## **Rating Sensitivities**

- Timely completion of the project
- Timely stabilisation of operations

## **Liquidity Position**

### **Adequate**

The group has adequate liquidity as reflected from financial flexibility of promoters to infuse funds in the project and bringing unsecured loans in the business from time-to-time. Furthermore, the net cash accruals are expected be low over the near term. RSWPL is also maintaining free fixed deposit of Rs. 3.77 Cr. in FY24 Provisional. The non-fund-based limit (consolidated) was utilized at 70.53 per cent for the six-months ended August 2024. However, timely completion of the project will remain a key rating sensitivity factor.

## **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.45	0.02
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.56	0.70
PBDIT/Interest	Times	13.00	16.56

### 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>
- 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. 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
11 Jul 2023	Bank Guarantee (BLR)	Short Term	17.46	ACUITE A4+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	2.54	ACUITE A4+ (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.53	Simple	ACUITE A4+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.47	Simple	ACUITE A4+   Reaffirmed

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

<b>Sr No.</b>	<b>Company Name</b>
1	RCR STEEL WORKS PRIVATE LIMITED
2	RUNGTA METALS PRIVATE LIMITED

## Contacts

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### About Acuité Ratings & Research

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