



Press Release
Riddhi Steel & Tube Limited
September 08, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	101.95	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	0.25	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	102.20	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B minus**) and short-term rating of ‘**ACUITE A3+**’ (read as **ACUITE A Three plus**) on the Rs. 102.20 Cr bank facilities of Riddhi Steel & Tube Limited (RSTL). The outlook is ‘**Stable**’.

Rationale for Rating

The rating reaffirmation reflects the steady improvement in operating performance of the company and moderate financial risk profile. The rating also factors in the company’s long-standing presence in the steel industry and the directors’ experience of over two decades. However, the rating remains constrained by the working capital intensive operations, supplier concentration risk and susceptibility of profitability to fluctuations in raw material prices in an intensely competitive iron and steel industry.

About the Company

Riddhi Steel & Tube Limited (RSTL) incorporated in 2001 is a limited company listed on Bombay Stock Exchange (BSE). The Directors of the company are Mr. Rajesh Ramkumar Mittal, Mr. Rajat Rajesh Mittal and Mrs. Preeti Rajesh Mittal. RSTL is engaged in manufacturing of MS black pipes and galvanized pipes with installed capacity of 59,416 tone/annum and the company has its registered office and manufacturing unit in Ahmedabad. Since inception the company serves a broad set of industries like solar, Power transmission, agriculture, roadways & highways, green house & more.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Riddhi Steel & Tube Limited (RSTL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The company is managed by Mr. Rajesh Ramkumar Mittal, Mr. Rajat Rajesh Mittal, and Mrs. Preeti Rajesh Mittal, along with a team of experienced professionals. The directors bring over two decades of industry experience, which has contributed to the company’s long-standing operations and strong relationships with key suppliers and customers. Acuite believes the company will continue to benefit from its established presence, operational track record, and strong customer relationships.

Steady improvement in operating performance

RSTLs revenue has increased to Rs. 391.13 Cr. in FY2025 as against Rs. 327.57 Cr. in FY2024, primarily driven

by higher sales volumes across both product segments while realisations have fallen during the year. The operating margin for FY2025 stood at 5.60 per cent, slightly lower than 5.71 per cent reported in FY2024, while the PAT margin improved to 1.94 per cent in FY2025 as compared to 1.47 per cent reported in FY2024. Acuite believes, the operating performance would improve steadily on the back of improved capacity utilisations.

Moderate Financial Risk Profile

The financial risk profile of the company remains moderate, marked by moderate net worth and gearing, along with average debt protection metrics. Acuite has considered Rs. 20.21 Cr. of unsecured loans (USL) as quasi equity. The net worth of the company increased to Rs. 82.22 Cr. as on March 31, 2025, from Rs. 77.37 Cr. as on March 31, 2024, primarily due to profit retention. The gearing level improved but remained moderate at 1.34 times as on March 31, 2025, compared to 1.45 times as on March 31, 2024. Debt protection metrics were average, with a debt service coverage ratio (DSCR) of 1.17 times in FY2025, compared to 0.73 times in the previous year. The Debt/EBITDA ratio stood high at 4.45 times as on March 31, 2025, against 5.26 times as on March 31, 2024. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times in FY2025, compared to 0.07 times in the previous year. Acuite believes the financial risk profile of the company is expected to improve to an extent, supported by the absence of any major debt-funded capex in the near term.

Weaknesses

Working capital intensive operations

The working capital operations of the company remained intensive marked by Gross Current Assets (GCA) of 160 days in FY2025 as compared to 177 days in FY2024. The debtor collection period stood at 58 days in FY2025, compared to 72 days in FY2024, with the average collection cycle ranging between 60 to 90 days. Inventory days declined to 90 in FY25 from 99 days in the previous year. Creditor days remained unchanged at 3 days in both FY2025 and FY2024, as most suppliers are paid in advance. Furthermore, the average utilization of fund-based working capital limits remained high, averaging around 99 per cent over the 12 months ending July 2025. Acuite believes that the working capital operations of RSTL may continue to remain intensive over the medium term on the back of nature of business.

Supplier Concentration Risk

The company is exposed to supplier concentration risk, with the top five suppliers accounting for approximately 69 per cent of total purchases. This indicates a high dependency on a limited group of vendors. Such concentration increases the company's vulnerability to any adverse changes in the financial or business profiles of these key stakeholders, which could impact the operations and performance of RSTL. However, the risk is partially mitigated by the company's long-standing relationships with its major suppliers. Acuite believes that the company's ability to diversify its supplier base with favourable credit terms remains a key rating sensitivity.

Susceptibility of profit ability to competitive industry and fluctuations in raw material prices

The company operates in a highly competitive and fragmented industry characterised by low entry barriers, which results in intense competition from the large number of organised and unorganised players present in the downstream segment providing similar products and services. Hence, the bargaining power of the company remains low due to the competitive nature of the industry. Additionally, prices of raw materials and products are highly volatile in nature. Any volatility in the prices of the raw materials has a direct impact on the profitability margins of the company.

Rating Sensitivities

- Significant improvement in revenues while improving the profitability margin.
- Any further significant elongation in its working capital cycle
- Deterioration in financial risk profile.
- Diversification of Supplier base

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by generation of sufficient net cash accruals of Rs. 10.60 Cr. in FY2025 as against its maturing debt obligations of Rs. 7.36 Cr. during the same tenure. In addition, it is expected to generate sufficient cash accruals in the range of Rs. 11.71 – 12.65 Cr. as against its maturing repayment obligations of around Rs. 3.40 Cr. over the medium term. The current ratio stood at 1.85 times as on 31st March 2025 as against 1.64 times as on 31st March 2024. Further, reliance on fund-based working capital limits remained high, with average utilization at ~99 per cent over the 12 months ending July 2025. Acuite believes that the liquidity position of the company will remain adequate, supported by steady cash accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	391.13	327.57
PAT	Rs. Cr.	7.59	4.80
PAT Margin	(%)	1.94	1.47
Total Debt/Tangible Net Worth	Times	1.34	1.45
PBDIT/Interest	Times	2.15	1.86

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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	
09 Jul 2024	Bank Guarantee (BLR)	Short Term	0.25	ACUITE A3+ (Assigned)	
	Term Loan	Long Term	2.90	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	33.60	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	48.00	ACUITE BBB-	Stable (Assigned)
	Covid Emergency Line.	Long Term	9.35	ACUITE BBB-	Stable (Assigned)
	Covid Emergency Line.	Long Term	7.90	ACUITE BBB-	Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.20	ACUITE BBB-	Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
City Union Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.25	Simple	ACUITE A3+ Reaffirmed
City Union Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.60	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	48.00	Simple	ACUITE BBB- Stable Reaffirmed
City Union Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2027	5.66	Simple	ACUITE BBB- 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.	12.48	Simple	ACUITE BBB- Stable Reaffirmed
City Union Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2029	2.21	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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