



**Press Release**  
**RAJURI STEELS AND TMT BARS PRIVATE LIMITED**  
**January 17, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	136.00	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	45.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	181.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) and short-term rating of ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs. 181 crore bank facilities of Rajuri Steels and TMT Bars Private Limited (RSTPL). The outlook is ‘**Stable**’.

**Rationale for Rating**

The rating continues to consider the established track record of operations of almost two decades in this line of business along with experienced management. Further, it factors in the growing scale of operations with operating income at Rs. 1,152.31 Cr. in FY2024 as against Rs. 933.52 Cr. in FY2023 and Rs. 737.28 Cr. in FY2022, attributed to increase in the number of units sold although the price realisation has declined. The rating favourably factors in the moderate financial risk profile of the company marked by moderate net worth, moderate gearing (debt-equity) and average debt protection metrics as on March 31st, 2024. However, the above-mentioned strengths are constrained by moderate working capital nature of operations and the intense competition in the industry, which makes margins and cash flows vulnerable to fluctuations in prices and demand.

**About the Company**

Incorporated in 2004, Rajuri Steels and TMT Bars Private Limited (RSTPL) is engaged in the manufacturing of TMT bars from billets which is produced and consumed captively. The product of RSTPL finds its application primarily in capital and engineering goods and infrastructure. RSTPL has a track record of 20 year of operations and has network with more than 1,200 dealers and 400 distributors in Maharashtra, Karnataka, Gujarat, Madhya Pradesh, Andhra Pradesh and Rajasthan.

The company is managed by Kailash Loya (managing director) along with other directors namely Santosh Mundada, Shivkumar Lohiya, Purushottam Toshniwal and Vijay Bharadiya. The directors have wide experience in different industries such as steel, fertilisers, agriculture, among others.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of Rajuri Steels and TMT Bars Private Limited (RSTBPL) to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and long track record of operations**

Incorporated in 2004 RSTPL is engaged in the manufacturing of TMT Bars and billets with its plant located at

Jalna, Maharashtra. The promoters of the company have over 20 years of operational experience and a profound understanding of the industry which has not only helped them to shape the strategic vision of the company but has also been pivotal in establishing enduring relationships with both customers and suppliers. The company sells its product to the dealers at a premium of ~Rs.400-500 per tonne due to the brand value of the company. 80% of the total turnover of the company is achieved by directly selling to the dealers and the remaining 20% is done through selling directly to the infrastructure projects.

The installed capacity of 3,30,000 MTPA for TMT Bars and 1,86,000 MTPA for billets (as on December 2024). Billets are captively consumed to produce TMT Bars. The production capacity utilization stood at 47% for TMT Bars and 62% for billets for 8MFY2025 as against 52% for TMT Bars and 86% for billets for FY2024.

Acuite believes the company shall continue to benefit from its established position in the industry, experienced management and established relationships with customers and suppliers.

### **Moderate Financial Risk Profile**

The financial risk profile of the company stood moderate, marked by moderate net worth, average gearing (debt-equity) and average debt protection metrics. Tangible net worth increased to Rs. 174.94 Cr. as of March 31, 2024, reflecting sustained profitability and an increase from Rs. 167.42 Cr. on March 31, 2023. The tangible net worth of the company includes equity share capital of Rs. 7.47 Cr., non-cumulative convertible 12% preferential shares of Rs. 10.62 Cr. and USL from directors/promoters subordinated to bank of Rs. 59.95 Cr. The total debt of the company stood at Rs. 215.79 Cr. which includes long term loan of Rs. 49.40 Cr., short term loan of Rs. 70.43 Cr. (in terms of CC) and unsecured loans of Rs. 95.96 Cr. as on 31 March 2024. The gearing (debt-equity) ratio deteriorated to 1.23 times in FY2024 as compared to 0.81 times FY2023 due to an increase in unsecured from directors & promoters. Interest Coverage Ratio stood at 3.09 times for FY2024 as against 2.86 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.42 times in FY2024 as against 2.86 times in FY2023. Debt/EBITDA declined although stood high at 6.61 times in FY2024 as against 12.39 times in FY2023.

Acuite believes the financial risk profile of company may continue to remain moderate over the medium term.

### **Capex Plan and Industrial promotion subsidy and electricity duty exemption**

RSTPL is in the process of setting up the capacity expansion project adjacent to its existing TMT unit, thereby overall enhancing its TMT capacity to 4,50,000 MTPA from 1,50,000 MTPA and billet capacity to 3,40,000 MTPA from 1,50,000 MTPA. The estimated project cost is Rs. 265 Cr. wherein Rs. 145 Cr. relates to phase 1 and Rs. 120 Cr. relates to phase 2 of the project. The total cost incurred for Phase 1 is Rs. 152 Cr. and for Phase 2 is Rs. 51 Cr. as on November 2024. Phase 1 of the project has been completed and commercial production has commenced from 01st May 2023. Further, Phase 2 of the project is in process and is expected to commence commercial operations by April 2025. On the account of capex, RSTPL is entitled to receive the benefits under Mega Project under Package Scheme of Incentives 2007 from FY2026 thereby improving PAT margins and net cash accruals for repayment of maturing debt obligations.

Acuite believes that the successful implementation of the capex would be key to increase in scale of operations. However, timely completion of the capex without any cost overrun would remain key rating monitorable.

### **Moderate Working Capital Management**

The company has moderate working capital nature of operations marked by GCA days of 64 days in FY2024 as against 47 days in FY2023. The higher GCA days are on account of an increase in inventory and debtors due to the commencement of operations of unit 3. The inventory days stood at 22 days in FY2024 as against 11 days in FY2023. RSTPL maintains an inventory of scrap, sponge iron and silicon manganese for an average 5-7 days. Subsequently, the receivable days stood at 37 days in FY2024 as against 24 days for FY2023. The receivables of the company as on November 2024 stand at ~Rs. 105 Cr. and currently 98.67% of the debtors are less than 6 months. The company provides a credit of 30-60 days to its customers. The creditors' days of the company stood at 31 days in FY2024 as against 33 days in FY2023.

Acuite believes that the working capital operations of the company may continue to remain moderate, considering the nature of operation with moderate inventory maintenance requirements.

## **Weaknesses**

### **Low profitability margins albeit improving revenue**

The operating income rose by ~23% to Rs. 1152.31 Cr. in FY2024 from Rs. 933.52 Cr. in FY2023. On a YTD basis, the company has clocked net sales of ~Rs. 824 Cr. in 8MFY2025. The operating margin exhibited an improvement at 2.53% in FY2024, compared to 0.99% in FY2023 on account of a decline in the raw material prices. The PAT margin for FY2024 stood at 0.66% compared to 0.01% in FY2023. In the current period, the average sale price per MT is at a three-year low, despite this the unit sales increased as against the previous year due to an increase in the units sold.

Acuite believes ability of the company to improve revenues and the margins over the medium term will remain key monitorable.

### **Intense competition and inherent cyclicity in the steel industry**

The steel industry is heavily fragmented and unorganized. RSTPL is exposed to intense competitive pressures from a large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry.

### **Rating Sensitivities**

Timely completion of the project without any cost or time overrun  
Improvement in scale of operation while improving the profitability margin.  
Sustenance of above average financial risk profile and net cash accruals

### **Liquidity Position**

#### **Adequate**

The company's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The company has generated net cash accruals ranging from Rs. 7 Cr. to Rs. 20 Cr. between FY 2022 and FY 2024, sufficient to meet the maturing repayment obligations during the same period. In addition, it is expected to generate sufficient cash accruals ranging from Rs. 24 Cr. to Rs. 41.5 Cr. against maturing debt repayment obligations of Rs. 9-16 Cr. over the medium term. Further, the reliance on working capital limits is marked by average utilisation of fund-based limits at ~ 95-100% and non-fund-based limits of 80% in the last 12 months ending November 2024. The current ratio stood at 1.02 times on March 31, 2024, as against 0.99 times on March 31, 2023.

Acuite believes that the company's liquidity position would remain adequate over the medium term on account of expected steady cash accruals.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1152.31	933.52
PAT	Rs. Cr.	7.55	0.11
PAT Margin	(%)	0.66	0.01
Total Debt/Tangible Net Worth	Times	1.23	0.81
PBDIT/Interest	Times	3.09	2.86

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jul 2024	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	12.56	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	65.00	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	38.34	ACUITE BB+   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.10	ACUITE BB+   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
Cosmos Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A4+   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4+   Reaffirmed
Cosmos Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BB+   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	65.00	Simple	ACUITE BB+   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.	0.10	Simple	ACUITE BB+   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	09 Jan 2030	38.34	Simple	ACUITE BB+   Stable   Reaffirmed
Cosmos Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Jun 2026	12.56	Simple	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

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